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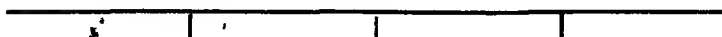
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ADVENTURES OF A YANKEE IN IRAN

Under the above caption, an unfriendly cartoonist in the Persian paper *Iran-i-Ma* depicts Dr. Millspaugh as Don Quixote and Seyed Zia, a political leader, as Sancho Panza, proceeding to a tilt against the National Bank. While caricaturing an incident, the artist unwittingly suggests some of the Persian phenomena that faced and followed the "Yankee" expedition.

AMERICANS IN PERSIA

BY

Arthur C. Millspaugh



THE BROOKINGS INSTITUTION
WASHINGTON, D. C.

1946

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FOREWORD

Persia has long been a scene and a source of instability and tension. Recently, the problem of this area has critically tested the new international order and sharply challenged American statesmanship. In spite of official and unofficial interchanges among the four governments involved—Teheran, Moscow, London, and Washington—and in spite of discussions in the Security Council of the United Nations, the problem is not yet solved. If the facts and conclusions presented in this book are valid, no sound solution can be hoped for without the initiative and leadership of the United States.

From the purely American standpoint, the vital question is not what our ideals and principles are, nor whether our power is adequate and our responsibilities compelling. The question still unanswered is whether in applied thinking and practical action we can match and master the problems that confront us. A close examination of Persia may indicate how well we have done thus far, what our opportunities have been, and what they may be. It seems a matter of public duty that all who have had contact with situations such as those that we must deal with if another world war is to be prevented should fully and frankly present the facts and the conclusions drawn from the facts.

What is offered in this book amounts to a personal report on a problem area. This study is not academic in origin or in the form of presentation. It is derived for the most part from Dr. Millspaugh's own firsthand experiences and observations. The materials for the report come from the inside of the situation. The book was, however, written on the outside. Thus, the story may have gained perspective, proportion, and detachment, while preserving something of the tang of lively personal adventure.

The author has been a member of the scientific staff of the Brookings Institution for a number of years. His claim to tell the story is based on two relatively long periods of employment as Administrator General of the Finances of Persia, first from 1922 to 1927, and again from 1943 to 1945. Having worked intimately and aggressively in such a capacity and in such a country for five years, then after an interval of fifteen years having returned under war conditions for another two years, the author is entitled to speak with a degree of assurance, as well as a measure of pride.

In view of the nature of the book, some further explanations seem to be in order. The Institution was not connected with Dr. Millspaugh's activities in Persia; and he initiated the book as a private undertaking. It is published as a personal contribution of his to the sources of public information bearing on Persia. In this case, an exception has been made to the Institution's rules concerning supervision and collaboration. With reference to the author's views, no institutional sponsorship or agreement among members of the research staff is to be implied. It should also be made clear that during the writing of the book Dr. Millspaugh has not been in contact or consultation in any way with the Department of State. The author takes full responsibility for his presentations of fact, interpretations, conclusions, and recommendations.

Harold G. Moulton,
President

The Brookings Institution
August 1946

PREFACE

To what is said in the Foreword, I desire to add some explanations and acknowledgments.

A year or two after Shah Reza took the throne in 1926, he decreed that Persia should be known as Iran. Following the restoration of constitutional government in 1941, the Foreign Office announced that the name Persia would again be permitted. To avoid the confusion that might arise from the use of two names, I refer to the country as Persia and to the people as Persians, except where the name Iran or Iranian occurs in quoted passages or in the names of companies, institutions, newspapers, etc.

The spelling of Persian proper nouns, especially the names of persons, presents considerable difficulty. In this book I have followed in general the spelling used by my Persian translators, except where a slight modification might bring the rendering more closely to the sound of the word as it strikes American ears. In quoting from Persian newspapers or other material written in Persian, I follow as closely as possible the original translation as it came to me in the press reports prepared in my office, making changes only when absolutely necessary to clarify the meaning of the English. In our work and correspondence, we used the Persian calendar. In this book, I am using Western dates throughout, except occasionally where the Persian occurs within a quotation. Similarly, when I refer to sums of money, I convert Persian currency into dollars.

For the material and ideas that have gone into this writing, I owe acknowledgment to many persons. Most of them have never discussed the book with me. Their contributions came in connection with our daily work and our problems, and at times when none of us knew that a book would be written. To all these friends, who gave me the benefit of their thinking as a feature of their co-operation, encouragement, and support, I am deeply and gratefully indebted. In this connection, a

special acknowledgment goes to my son, who as an unofficial observer brought me the stimulus of a young and an exceptionally objective mind.

I wish to express my thanks to the Co-operating Committee of the Institution. Dean James M. Landis and Mr. Esmond S. Ferguson have also been kind enough to read the manuscript, and they have generously given me the benefit of helpful criticism.

Arthur C. Millspaugh

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ERRATA

Page 219. *For* note 11, *substitute*: "This amounted to a promise that the support previously given us would be continued."

Page 256. *For* note 4, *substitute*: "Article 52:1. Nothing in the present Charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action, provided that such arrangements or agencies and their activities are consistent with the Purposes and Principles of the United Nations."

CHAPTER I

INTRODUCTION

During the early months of 1946, for the first time in modern history, the ancient land of Cyrus and Darius stood in the center of the international spotlight. The world glimpsed what it felt to be a drama; but the action on the stage did not become fully comprehensible. The difficulty seems to be that the public had not heard the prelude, seen the background, nor observed the early unfolding of the plot, while the actors could be only half recognized because of their disguises. The curtain rose in the middle of the last act and fell before the end of the play. Nevertheless, much has been happening before and behind the scenes. The climax and the sequel may hold a special and primary meaning in future history.

When the Persian situation came to the United Nations Security Council and to the newspaper headlines, many perceived in the events that had taken place and the issues raised a crucial test of Soviet good faith and of the new international order. The process through which the situation became critical offered also a test of Persia and the Persians, of British attitudes and actions, and of the principles, policies, and practices of the American government. This four-sided test has been applied, not merely during the last few months, but continuously during the last four years. Persia's appeal to the United Nations and the subsequent results and occurrences did not in any way shift responsibility or essentially alter the nature of the test. As a matter of fact, the test has been long in operation.

For the last seventy-five years Persia has presented an unsolved problem to the modern world. Because of where it is, what it is, and what others want from it, the country has been the scene and source of international rivalry and recurrent tension. Several different phases have marked the development of the problem, but two general factors have remained constant:

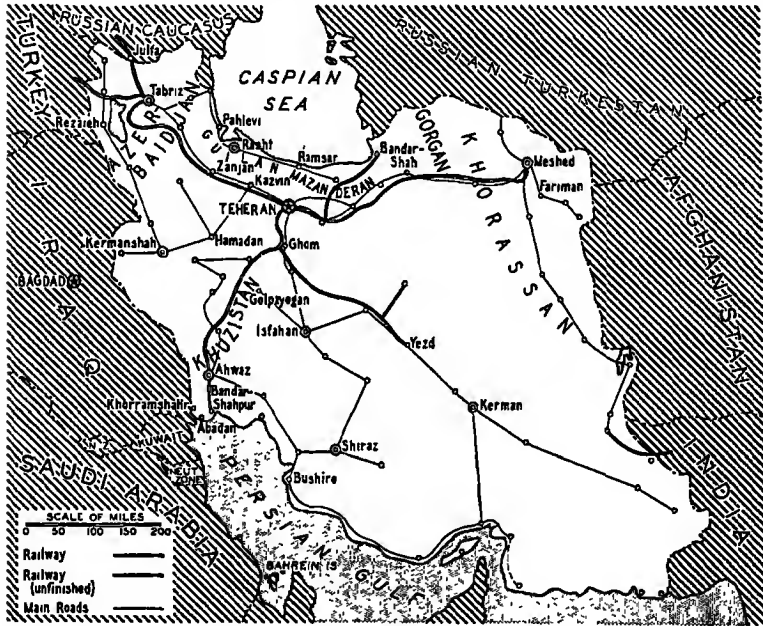
the position of Persia as a buffer state between the Russian and British empires and the inability of Persians to create and maintain enlightened and effective government. The Persians, quite as much as the British and the Russians, have given form and critical meaning to the problem; nevertheless, it is the world's quite as much as it is Persia's. The relations between Persia and the Soviet Union give evidence of the problem and represent a segment of it; but nothing done during the last few months has brought about or advanced a solution.

Prior to 1942 isolationist America did not appear to be involved. The visibility of British and Russian interests and the tenseness of British-Russian relations lent an appearance of danger to any American commitment or entanglement in that region. Today, the Persian area can no longer be viewed as either distant from us or unrelated to our vital interests; it has become potentially, if not actually, important to our own national security; and it is a critical feature of that present and future world for which the United States has accepted definite responsibilities.

In the case of Persia, as in that of other countries, geographical location is the first thing that calls for understanding. In the North, the Soviet Union borders Persia on both sides of the Caspian Sea. The country's southern limits are fixed by the Persian Gulf and the Indian Ocean. To the West lie Turkey and Iraq; to the East, Afghanistan and India. The Persian Gulf and southern Persia form a strategically vital link in the British imperial life line that includes Gibraltar, the Mediterranean, Egypt, the Suez Canal, and the Red Sea. Persia possesses on her southern coast warm-water ports of evident strategic and commercial attractiveness to Russia. Yet, in this very region, the rich producing fields of the Anglo-Iranian Oil Company represent to the British a vital military and economic stake.

This territorial wedge, placed at the southwestern entrance to Asia and lodged between the two great empires, covers an area of 628,000 square miles, one fifth the size of the

United States and three times as large as France. Its topography, as well as its position and size, explains in large part why Persia is fitted to serve as a buffer and why, in spite of extraordinary vicissitudes, it has maintained its political identity for some 2,500 years. Except for the narrow rain-drenched Caspian coast and the even narrower sun-baked strip along the gulf, Persia is a plateau, walled in and crisscrossed by steep



PERSIA (IRAN)

mountain ranges. To penetrate the country either by automobile, railroad, or airplane, one must climb in dizzy spirals up and over the mountain ramparts. Once on the plateau, the traveler descends into valleys and crosses plains—mountains always in sight in every direction with other passes and other twisting ascents always ahead. Looking out from an airplane, one sees a surface of bleak scorched barrenness, resembling the face of the moon. The barrenness of the mountain sides is relieved in spring by a faint verdure that gives fleeting pasturage to the flocks. The arid monotony of the valleys and canyons

gives way occasionally to spots of grey and green and at rare intervals to larger blotches of deeper and lasting color. These are the places where water, Persia's scarce and most precious resource, has been brought to the soil from wells and springs, from melting snows and from mountain torrents. The spots are villages, scattered and often isolated, whose closely packed houses of mud, baking in the sun and ever in process of erosion, remind one of the pueblos of the American Southwest. The blotches are the towns and cities with their suburban surroundings of cultivated lands and gardens.

In the northeastern part a great salt desert covers about one third of the country's area, and this of all deserts in the world is probably the most lifeless, the most trackless, and the most hopeless.

It may be that aviation and other implements and techniques of warfare, together with the railroad and the highways, have reduced Persia's strategic importance. But it seems equally possible that under modern conditions, the deserts, the mountain ramparts, and the distances of this land may retain most, if not all, of their past importance. In any event, the new pattern of power in the world, resulting from the defeat of Germany and Japan, has underlined the international and strategic meaning of this region, brought it into sharper focus, and emphasized its urgency. One should recall that the power of Germany and Japan, as well as the actual wars of 1904 and 1914-18, served not only to suspend the expansionist tendencies of Russia but also to postpone the culmination of British-Russian rivalry in Persia. It may be recalled also that the neighborhood of Persia, if not Persia itself, has repeatedly and in a way instinctively become the goal, sometimes the ultimate goal, of those who have sought world domination; for example, Ghengis Khan, Alexander, the Romans, and Napoleon. The Kaiser's Germany had its *Drang nach Osten* and its Berlin-to-Bagdad project, and Hitler, long before the second World War, began a softening-up process in the Middle East, especially in Persia. Now the world is left with

three great powers; Britain and Russia are two of them. At the moment, little is left of the common threats that formerly diverted them or impelled transitory co-operation.

Persia's meaning derives also from its economic situation; and the effects of that situation have been both domestic and international. The country's basic resource and industry are agricultural. Despite some recent efforts at stimulation and modernization, its agriculture is still primitive and comparatively unproductive. The possibilities of increased production are limited by the insufficiency of rainfall and on the plateau by the necessity and difficulties of irrigation. Yet, Persia at one time is said to have supported a population of 40 millions. Today it has around 12 millions. A sound long-time program of agricultural development could doubtless ensure a higher and a rising standard of living for a population of, say, 25 millions. In this direction lies the fundamental and the most profitable economic opportunity that Persia holds for her own people, though not perhaps for the foreign investor or for foreign governments. Equally attractive but less important is the obvious need for reforestation.

The fisheries of the Caspian Sea and the Persian Gulf are actually and potentially of considerable value. Petroleum production in the country is already substantial and reserves in both the North and the South are believed to be of immense value. To the foreign investor and foreign governments oil seems the chief prize that Persia offers. Other mineral resources are present and are only partially explored and exploited.

Persia, too, has had and still has unsatisfied needs and sharply competitive conditions in the fields of transportation, communications, and trade. As air-transport routes crisscross the world, this country may again become a principal commercial junction, as it was in the age of caravans. To the pioneers of the generations to come, this land may conceivably provide not only a new frontier but also one of the gateways to the vast spaces and teeming populations of the Far East.

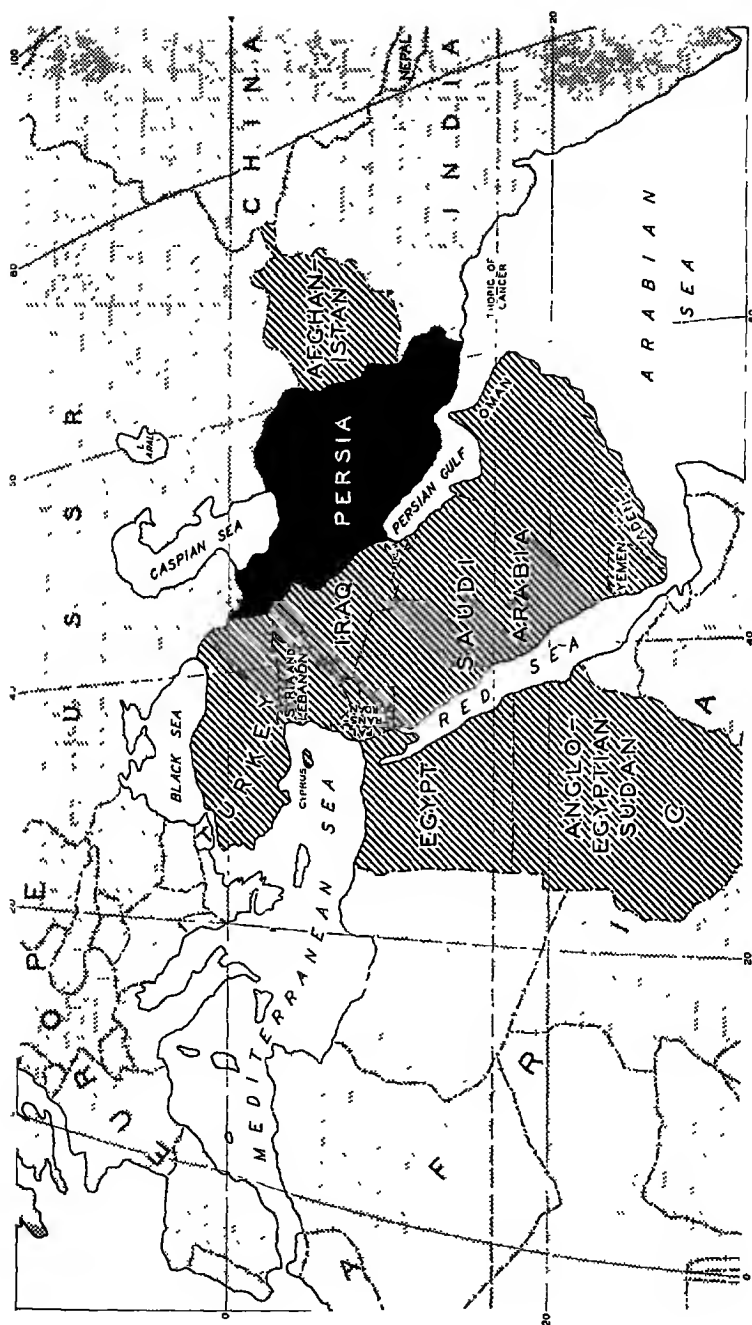
Persia is a part of that larger region commonly called the Middle East, which includes the Sudan in the extreme west and Afghanistan in the extreme east and in between Egypt, Turkey, Palestine, Transjordan, Syria, the Lebanon, Saudi Arabia, and Iraq. The geographical situation of this region has always given it a peculiar political and strategic significance. It commands the eastern Mediterranean, encloses the Suez Canal, straddles the Red Sea, looks out on the Indian Ocean, lies between Asia and Africa, and forms one of the European entrances to Asia. The Middle East as a whole constitutes a part of the corridor from the United Kingdom to India, southeast Asia, and the Far East, and it also lies across a Russian outlet to the Mediterranean, the Atlantic, and the Indian Ocean.

On the map and to the traveler, this region appears small and much of it desert; but in area it is larger than continental United States, and it supports a population of over 70 millions. Like Persia, the Middle East as a whole is only partially developed. All of its countries have awakened to an intensely self-conscious life and an assertive nationalism; and all are stirred by a desire for modernization and westernization.¹

While Persia, geographically, forms a part of the Middle Eastern region, it does not wholly belong to the Middle Eastern community. As a race or a nationality, the Persians do not assimilate with other Middle Eastern people; and, while most are Moslems, they are set somewhat apart by sectarian distinctions. Nevertheless, among all the peoples of the Middle East a certain sense of interdependence and kinship exists, and what happens in one of these countries usually has some counterpart or brings some reaction in the others.

The problem of Persia is, as previously indicated, both internal and external. It is primarily a problem of politics, domestic and international, with each acting on the other

¹ See James M. Landis, "Middle East Challenge," *Fortune*, September 1945.



PERSIA IN ITS REGIONAL AND STRATEGIC SETTING



KUHPAYE, A VILLAGE NEAR KERMAN

in various and intricate ways. Since finance is the heart of government and of public service to the people, the financial symptoms of misgovernment in Persia have been the most acute; and financial troubles have in turn contributed to governmental weakness and popular unrest, while encouraging foreign demands and international rivalry. Therefore, in order to safeguard the realities of independence, as well as to provide for economic development and social progress, it has been essential for Persia to obtain a capable and neutral financial administration, strong enough to resist pressures both from within and from without. We see, therefore, that the problem presented by Persia calls for twin solutions: first, the establishment of law, order, and community feeling, reasonably efficient and honest government, and internal political stability resting on the essentials of democracy; and, second, the stabilization of the area internationally and the elimination, so far as may be possible, of suspicion, tension, unwholesome competition, and sources of conflict.

Up to the second World War, the Land of the Lion and the Sun lay beyond the political horizon and almost outside the knowledge of the United States. In spite of this fact, or rather because of it, America and Americans had won in the Persian mind and in Persian hopes a special reputation and a unique relationship. In order to supply the prior need for financial reform, as well as to provide other technical and administrative assistance, the Persian government has on three occasions called on America for help; and, beginning in 1911, three American financial missions have responded to the call. These missions, along with other Americans who have served in Persian administration, have played an extensive and significant role in the modern history of the country. Besides controlling financial operations, they planned and started building the Trans-Persian railroad that carried vital military supplies to Russia during the war. They have supervised highway construction, engineered irrigation, managed the public domains, promoted agriculture, served as experts

in the Teheran municipality, directed the collection of grain and the distribution of bread, conducted an emergency program of rationing and price stabilization, made educational surveys, assisted in public health administration, organized the gendarmerie and police, and advised the army.

Persia's condition has often been likened to a disease. When I first went to the country in 1922 as head of an American financial mission, a Teheran newspaper gave me this greeting: "You are a physician called to the bedside of a very sick person. If you succeed, the patient will live. If you fail, the patient will die." A few months after my second Mission had arrived, and at a time when we were meeting difficulties that made our efforts seem hopeless, a Persian radio speaker, urging us to remain in his "oppressed and miserable community," appealed as follows:

Some years ago I came to get acquainted with a surgeon who told me that the men of his profession obtain satisfaction and enjoyment when they are brought a *good* and *nice* wound for curing. He explained that *good* and *nice* wounds were those that had complications, that were even infected by gangrene, and that other surgeons had failed to heal. "Then I call it a *good* and *nice* wound and find it fit for me to operate upon."

Now, we have to tell you that to-day we have brought you a good and nice wound worthy of a doctor like you and your American mission to operate on and cure.³

At the Teheran Conference in November 1943, President Roosevelt appeared much intrigued by his discovery that Americans employed by the Persian government had already started the job of postwar stabilization and development in the spirit of the Atlantic Charter. He referred to our effort as a "clinic" and seemed to think that the undertaking in Persia was demonstrating the practicability and something of the form of the projected new "trusteeship." The fact is that Persia for seventy-five years has been an international experiment station, though rarely recognized as such.

³ The speaker was Ebrahim Khadjeh-Nouri, then Director of the Persian Government's Propaganda Department.

This book is not a history of Persia. Its engaging but unhappy annals extend through a period of 2,500 years; but I think we can understand present-day Persia without repeating the chronicles of the remote past. Anyone who writes about this country is apparently expected to make an introductory salaam to the memory of Cyrus, Darius, and Xerxes. Yet little remains in the Persia of today, except the lonely ruins of Persepolis, to quicken that memory or to give it a lively connection with the present. The power and the glory are gone. An extraordinary amount of material wealth, of human energy, and of organizing and administrative genius was evidently available to the government of that ancient empire. One can find none of those resources now in the Land of the Lion and the Sun. As a young Persian bitterly expressed it to me, "Cyrus and Darius are narcotics used by the governing class to keep us quiet."

Nor do I attempt in this book a complete description of Persia and the Persians. I have omitted mentioning many aspects of Persian life and many Persian traits that invoke affection and respect. No one can reside in the country without acquiring a lasting feeling of friendship and profound sympathy for the people. With regard to their culture, they have retained through the centuries choice artistic gifts, so widely diffused as to constitute an almost universal inheritance and expression. The environment and circumstances that produced political and economic frustration may have impelled an unconscious withdrawal from reality. Many took refuge in the aspirations and contemplations of religion, philosophy, and poetry. Common men—peasants and tribesmen of the country and craftsmen of the towns—found release and self-expression as well as profit in the working of familiar materials and the fashioning of things in daily use—gates, towers, and mosques; gardens, pools, and fountains; tapestries and rugs; pottery and tiles; articles of silver, brass, and wood; books and manuscripts. Music, painting, sculpture, and the drama played negligible parts in this art; but, with all its

limitations, that which came into being, stayed alive, and developed through the centuries constitutes a memorable contribution to civilization.

The purpose of the following chapters is to sketch the story of the modern period with attention to all of the principal interacting internal and international factors. Events before 1943 are summarized; subsequent occurrences are related in more detail, special attention being given to the experiences of the third American Financial Mission, which seem to me peculiarly informative and comprehensively revealing. While the immediate task of the Mission was financial and economic, it worked within a political structure. Its operations were constantly affected and its existence was decided by political changes, influences, and pressures. Accordingly, I have given to the technical task and its accomplishment only enough space to explain in a general way what the job was, how we set about doing it, the results that we obtained, and the kind of frustrations that we met, all with the idea of illuminating the decisive factors in the problem.

The book is intended to be a study of the politics, with the general underlying economic, social, and psychological conditions, of one of the world's danger spots, a potential if not actual breeding place of future war. I shall, therefore, attempt with particular care to portray and analyze the essential conditions that create the problem and must determine its solution—the mind and character of the people; their government broadly viewed; the three American Missions—their nature, tasks, successes, and failures; Soviet aims and methods; British attitudes and action; and American principles, policies, and practices. We shall notice the part recently played by the United Nations. When the survey is completed, we shall be in a position to draw conclusions, to forecast the immediate future, to suggest an urgent precautionary step, and to outline the kind of basic and ultimate solution that seems to be indicated by the facts.

CHAPTER II

STAGNATION, STRANGLING, AND REVOLT

During the centuries that followed its moment of world supremacy, Persia experienced for longer or shorter periods invasions, civil war, anarchy, famines, epidemics, reigns of terror, and merciless oppression. These conditions, too often repeated, whittled away most of the empire beyond the plateau, while reducing and impoverishing the population.

NATIONAL DISUNITY

Despite the success or luck with which its dwindling territorial sovereignty had been preserved or regained, Persia never became truly a nation. The struggles and evolution in France and England, which resulted in the perfecting of national unity and the disappearance of feudalism, had no parallel in Persia. Semi-nomadic tribes, each a closely bound and largely autonomous group and each clannish, warlike, and given to banditry, made up from a fourth to a third of the population. The people as a whole became a striking mixture of races and types, including many racial and religious minorities, with divergent regional characteristics.¹ The social system, however, remained free of caste and of hereditary nobility. Nevertheless, the country had a class of grandees, whose privileges and power rested in the main on the ownership of land. Most of the landlords lived in relative luxury in the cities, particularly at the capital, where they basked in the tinsel radiance of the Shah or plotted against him and each other.

At the base of this system, the millions of peasants, practically bound to the soil, huddled in walled villages for solidarity

¹ The present differences in viewpoint between South and North are due not only to British influence in the South and Russian in the North but also to the fact that the southern population includes Arabs, Lurs, Bakhtiaris, Ghashgais and Baluchis, while we find in the North the Turks, Kurds and Turkomans. Moreover, throughout Persia certain distinctive characteristics are attributed to the inhabitants of each city.

and security, barely subsisting under conditions of most extreme poverty. Their toil had three simple objects: to exist, to satisfy the demands of the landowners, and to meet the multiplied exactions of an extravagant and rapacious government. Over all, the Moslem clergy exercised an authoritarian influence; and in the towns, a fairly numerous and influential middle class had developed, consisting of government officials, army officers, scribes, artisans, merchants, and tradesmen.

In this primitive society, the family was the natural primary unit, large, closely knit, with strong feelings of loyalty, honor, and mutual obligation. Women, closely veiled, lived on an inferior plane, and except for the family intimacies of the *anderun*,³ moved in a world of their own, secluded, ignorant, and pretty much narrowed to their biological function. Polygamy was practiced, though to a decreasing extent.

Until 1906 the government was completely concentrated in the Shah-in-Shah, King of Kings, "the shadow of God," an absolute despot, possessing rights over the lives and properties of his subjects unlimited by any constitution or charter of liberties. Under him and his satraps, the mass of the population, illiterate, ignorant, and inarticulate, showed a common feeling, that of distrust and fear, directed on the one hand toward the privileged and powerful above them, especially the officials of the government, and on the other hand toward the foes from without and the bandits and rebels from within. No one ever closed or bridged the chasm that separated people and government. A deep cleavage persisted, not only in political organization, but, more seriously, in the habits and long memories of the people.

BANKRUPTCY AND BETRAYAL

At the beginning of the twentieth century, Persia provided one of the world's most complete examples of economic retardation and impoverishment, a country in ruins, its resources

³ The women's quarters.

practically untouched. On this foundation of stagnancy and decay, the Shah's crude structure of public finance seemed to be tottering to certain collapse. Revenues automatically diminished as wealth declined. Not only were the Shah's tax collectors incompetent rogues, but in many cases the monarch or his ministers, in return for an initial bribe and a guaranteed minimum of revenue, farmed out taxes to private individuals, who took their percentage and whatever additional they could gouge from the taxpayers. Most of the shrunken budget went to the army, to the court and harem, and to favored individuals in the form of pensions and subsidies. The autocrats postponed ruin for a time in the easy way of the shiftless, by borrowing money and disposing of assets. They proceeded to sell to Britain and Russia what amounted to the future economic life of the country and with it the prospects of independence. Rivalry between the two imperialisms speeded up the process; for a "balance" had to be maintained. So when Great Britain obtained a concession in the South, Russia demanded one in the North, and *vice versa*. The two powers put the country on the block and divided it at the same time.

Russia in 1828 took away Persia's tariff autonomy, and from that date the so-called "capitulations," embodied in treaties, exempted foreigners in the country from the jurisdiction of the local courts. A telegraph concession, later modified and renewed, went to a British company in 1864. Russians in 1874 received the privilege of building a railroad from the frontier to Tabriz; in 1876 they obtained a monopoly of the fisheries on the southern coast of the Caspian; and in 1881 they acquired a highway concession in Azerbaidjan. British interests in 1889 got a concession for the establishment of the Imperial Bank of Persia, including the exclusive right of issuing notes, and important mining privileges, with provisions for a loan to the Shah. Thereupon, the Russians were permitted in 1891 to found a bank, largely a political instrument, which extended loans to the Shah as well as to government officials, clergy, and others. Russian companies received highway

and mining concessions in 1893, 1898, and 1899. A Russian obtained rights to all the petroleum in the five northern provinces; and in 1901 the British got an exclusive oil concession covering the rest of the country.

REVOLUTION AND THE CONSTITUTION

At the turn of the century, signs of discontent appeared. As early as 1872 an astonishing wholesale monopoly of economic rights granted to the British Baron Reuter had failed of execution, partly because of Persian criticism but more largely because of objections made by Russia and nonrecognition by the British government itself. The tobacco monopoly, given to a British subject in 1890, caused an actual uprising that forced the cancellation of the grant. Nasr ud Din Shah died by assassination in 1895; his successor Muzaffar ud Din, weak-willed and broken in health, followed his father on the road to ruin. By 1906 the last straw had been placed on the camel's back and revolution came.

What were the conditions that precipitated revolt? The sufferings of the masses had little to do with it. No general intellectual ferment was occurring. No social theory or political philosophy captured the minds of these men. No passion for abstract liberty—not even any general conception of freedom—aroused emotional enthusiasm. Ideas and ideals of democracy had little currency. Yet the revolutionary movement did reflect increasing enlightenment, a growing sense of injury in the upper and middle classes, a stirring of nationalistic feeling, and in a small group a genuine desire for progress. Rivalry between Britain and Russia played an important part. The British were supposed to resent the friendliness of the Shahs toward Russia and to feel that British interests would be promoted by a constitutional regime. Even if no such consideration had been present, it is quite likely that the sympathies of Englishmen would have been with the constitutionalists. In any event, the British Legation at Teheran lent encouragement to the revolution, while Russia was unfavorably disposed, though preoccupied at the moment.

The movement aimed to curb the Shah's power, particularly in economic and financial affairs, and externally to save Persia for the Persians. The revolt, practically bloodless, used the means familiar and available to this passive people—the taking of *bast* (more or less of a mob sit-down strike), agitations, demonstrations, intrigue, obstruction, and intimidation. On August 5, 1906 the Shah called a National Assembly; and on December 30, 1906 he issued a decree establishing constitutional regulations for the Assembly. This decree was followed by the Supplementary Constitutional Law, passed by the National Assembly and signed by the Shah on October 8, 1907. These two documents, comprising the Constitution of Persia, created a government on the Belgian model, with the governing power largely transferred to a popular assembly but retaining the monarchy and leaving the King in command of the army. Provision was made for popular elections at intervals of two years, for a *Majlis* or parliament, and for a prime minister and ministers responsible to it.

This revolution brought about a transference of political powers; but unlike the French Revolution of 1789 and the Russian of 1917, it made no fundamental alteration in the social or economic structure. Yet, with all of its limitations, it marked an event of importance: a successful assertion by Persians against internal and external power. And the constitution set up a standard and provided a framework for the construction of a stable and efficient political organization. Could the Persians find a way to finish construction before the framework collapsed?

Coming to the throne in 1907, Mohammed Ali Shah, one of the worst of his degenerate dynasty, repeatedly violated his oath to support the constitution and attempted to overthrow the *Majlis* by force. He was finally dethroned in 1909; but he had been openly assisted by the Russians, who in the same year invaded the country and temporarily occupied Tabriz. The British supported the constitutionalists. Thus British-Russian rivalry went on, with no perceptible change

of attitude on the part of the two empires. In Europe, however, the powers, fully armed, were maneuvering in anticipation of the war that came in 1914. France had entered into an alliance with Russia and an *Entente* with Britain. Now in view of the larger European issues, Britain and Russia as well as France desired to remove sources of friction in southwestern Asia. Consequently, in the Anglo-Russian Convention of 1907, the two powers engaged themselves to respect the integrity and independence of Persia; but they drew two lines across the map of the country. North of the upper line, Great Britain agreed not to seek any political or commercial concession. South of the lower line, Russia agreed not to seek any political or commercial concession. In the intermediate strip neither party was to obtain concessions. This convention did not "partition" Persia, but it set up spheres of influence which, in the natural course of events, would probably have led to a partitioning. Between 1908 and 1914, the Czar's troops repeatedly entered the country, and in the North were in almost constant military occupation. In addition, Russian representatives continued to interfere in various ways with internal governmental affairs at the capital.

THE FIRST AMERICAN MISSION: SHUSTER AND THE RUSSIANS

By 1910 the Majlis had come under the leadership of men who, as patriots and progressives, sincerely desired to make constitutional government a success. The country, however, had fallen into a deplorable state of poverty, stagnation, and disorder. Chronic current deficits added constantly to the burden of debt. Persian patriots rightly viewed the Anglo-Russian agreement of 1907 and the attitudes and actions of the British and Russians as threats to the country's independence. At this juncture, the Persian government quite logically asked for and obtained its first American Financial Mission.

Foreign employees were not new to Persia. Since 1903 a Belgian mission had been in charge of the Customs Administration, primarily to collect and pay the funds needed for the service of the British loans. The Belgians had become un-

popular, partly because of the feeling that Great Britain had imposed them on the country, partly because of a suspicion that they mixed in political intrigues, domestic and foreign. The head of this Mission, M. Mornard, acted also as a financial adviser, apparently without any noteworthy results. A Frenchman, M. Bizot, had also served as financial adviser; and the memoranda that he submitted during his two years had been filed and promptly forgotten.

Persian leaders recognized that, under the circumstances of the time, they could not place the government on a sound financial basis without the employment of foreigners. They also realized that unless they "put their own house in order" their weakness and insolvency would keep them, as in the past, at the mercy of the British and Russians. The Persians knew likewise that financial reform was a condition precedent to internal development and progress. Dissatisfaction with French and Belgians and the undesirability of engaging British or Russians left America the appropriate, if not the only, quarter in which to seek administrative help.

Two other considerations pointed in our direction. America was wealthy and certainly had no political designs in the Middle East. American investors, it was thought, could be profitably and safely dealt with, and loans if needed might be easily and safely obtained. An American financial mission would serve as the economic and financial liaison between the two countries. Having a mission and a tangible stake in Persia, America, it was expected, would act as a political balancer and buffer, championing and guarding the independence of the country.

The United States had for some time maintained diplomatic and commercial relations with Persia; but these had been, on the whole, uneventful and insignificant. Presbyterian missionaries at the end of the nineteenth century started the schools and hospitals that were to become a continuing and constructive influence. Our government could hardly refuse to help the Persians locate a qualified American, and in due

time President Taft suggested W. Morgan Shuster for the Persian job. When the selection had been confirmed by the Majlis, the Department of State took pains to point out that Shuster would have no official connection with the United States government, which assumed no responsibility for his actions.

On his arrival in Persia early in 1911, Shuster saw the uselessness of acting as adviser; and he asked and received from the Majlis a law conferring on him certain essential powers in the financial field. He worked energetically and courageously along sound lines and with complete devotion to the interests of Persia. The Russians opposed him. The very qualities that commended him to the Persians meant, to the Czar's agents, loss of prestige and of opportunity. Moreover, Shuster's position and his program rested on the assumption of Persian independence. Had this American been an adviser like Bizot, or an administrator like Mornard, it is likely that the Russians would have had no objections. But Shuster found that conditions were so disorderly and contempt for the government so widespread that he required a gendarmerie under his own orders to ensure the collection of the taxes. Having no one on his staff to organize this force, and as time pressed, he asked the British to lend an army officer for this task. They did so. The Russians, however, refused to permit Shuster to send this officer to the North on what were of course purely Persian government assignments. Moreover, Cossack soldiers forcibly resisted Shuster's men in the course of an effort to collect taxes from certain Persian protégés of the Russians.

Shuster, thoroughly checkmated, protested in vain to the Russian and British Legations. About nine months after his arrival, the Russian government demanded his dismissal, backed the demand with a forty-eight-hour ultimatum, and set troops on the march toward Teheran. The Persian government was too weak and too divided to resist. Shuster and his staff had no course open to them except to leave. Thus ended the first American effort to help Persia, and the first clinical experiment in American trusteeship in this problem area. Shuster's find-

ings were, on his return to America, published in a book that he entitled quite aptly *The Strangling of Persia*.

Some criticized this head of the first American Mission for tactlessness; but in the light of Russian policy it is difficult to see how he could have avoided or compromised the issues that led to his undoing. Denial of British and absence of American support left him in a helpless and hopeless position. But Shuster's experience and his published narrative may have placed in a too favorable light the apparently stricken little nation that he so manfully defended. In the long run Persia might have gained if he had made it clearer that those who blocked his enterprise included Persians as well as Russians. Faced with Shuster's firm demand for the payment of taxes, some Persians who had long been taking Russian money and serving Russian interests solicited protection from their foreign masters. In the case of others, confusion and cowardice tacitly invited aggression. The strangling of Persia was quite apparent; but American opinion, then as more recently, may have overlooked the fact that a nation may strangle itself or at least adjust the noose that others tighten.

CHAPTER III

WAR, RESPITE, AND DICTATORSHIP

After Shuster's departure, the Persian government engaged Swedish officers to organize and direct the gendarmerie, but this force proved insufficient to cope with tribal unrest and banditry. The country remained in financial straits, and economic stagnation and decay continued. When the first World War came, Persia declared its neutrality but soon became a theater for the operations of German agents and a battleground for the Turks, Russians, and British. Devastation spread through the Northwest, while throughout the country insecurity increased and governmental authority virtually vanished. Despite temporary relief provided by the British, Persia's financial difficulties at the end of the war had become worse than ever. A complete breakdown of government seemed imminent and, to make matters worse, famine settled over the central region.

RUSSIAN RENUNCIATIONS, BRITISH ADVANCES, AND A COUP D'ETAT

Fortunately, the Russian Revolution of 1917 relieved Persia of pressure from the North. In unilateral proclamations and in the Russo-Persian Treaty of 1921, the Bolsheviks announced the renunciation of Czarist imperialism, their forgiveness of Persian debts to the Czarist government, their abandonment of all claim to extraterritorial privileges for Russian nationals, and their annulment of all Russian concessions in Persia. The Treaty of 1921 promised noninterference by Russia in the internal affairs of Persia.¹ The economic renunciations, so magnanimous in appearance, did not return to Persia much that would have been valuable to Russia, and the latter in-

¹ The Treaty, however, permits Russia to move an army into the country if and when it should become a base for foreign military operations against Russia.

sisted that the profitable fishery concession should be transferred to the Soviet government's control. The Russians withdrew their army from Persia but kept a cruiser anchored in the port of Enzeli.² Aside from the presence of the cruiser and the question of the fisheries, Persia substantially escaped Soviet interferences until the second World War.

While encouragement was thus coming from the North, Britain, for her part, proposed a comprehensive program of collaboration to put Persia on her feet and to promote British interests. In the draft Anglo-Persian Treaty of 1919, Britain undertook to respect the independence and integrity of the country and agreed to supply experts for Persian departments, these to be endowed with adequate authority; to supply officers, munitions, and equipment for a force to establish law and order; to make a loan; to co-operate in railway and other transport enterprises; and to take part in an examination and revision of the Persian customs tariff. The proposed agreement met with a critical reception in the United States, while Persian nationalists suspected British motives and feared Russian reprisals. The Cabinet that had negotiated the agreement fell, the Parliament withheld ratification, and the British abandoned the project.

Thus given a respite from the pressures of rival imperialisms, Persia won as well two prime essentials of strong and good government. In 1921 Reza Khan Pahlevi, son of Mazanderan peasants and colonel of a brigade that had been organized by the Russians, marched into Teheran, set up a new prime minister, and made himself Minister of War and Commander in Chief of the Army. He was soon recognized to be permanent in these positions, and, by reason of his military power and personal qualities, to be a potential dictator.

In the same year and for much the same reasons as in 1911, the Persian government asked the government of the United States for another financial mission, and, in response, the first mission that I had the honor to head proceeded to Persia in

² Now called Pshlevi

the fall of 1922. As Administrator General of the Finances, I had a contract approved by the Parliament providing for substantial powers, and again the State Department made it clear that members of the Mission had no official connection with the United States government, which assumed no responsibility for what they might do or leave undone.

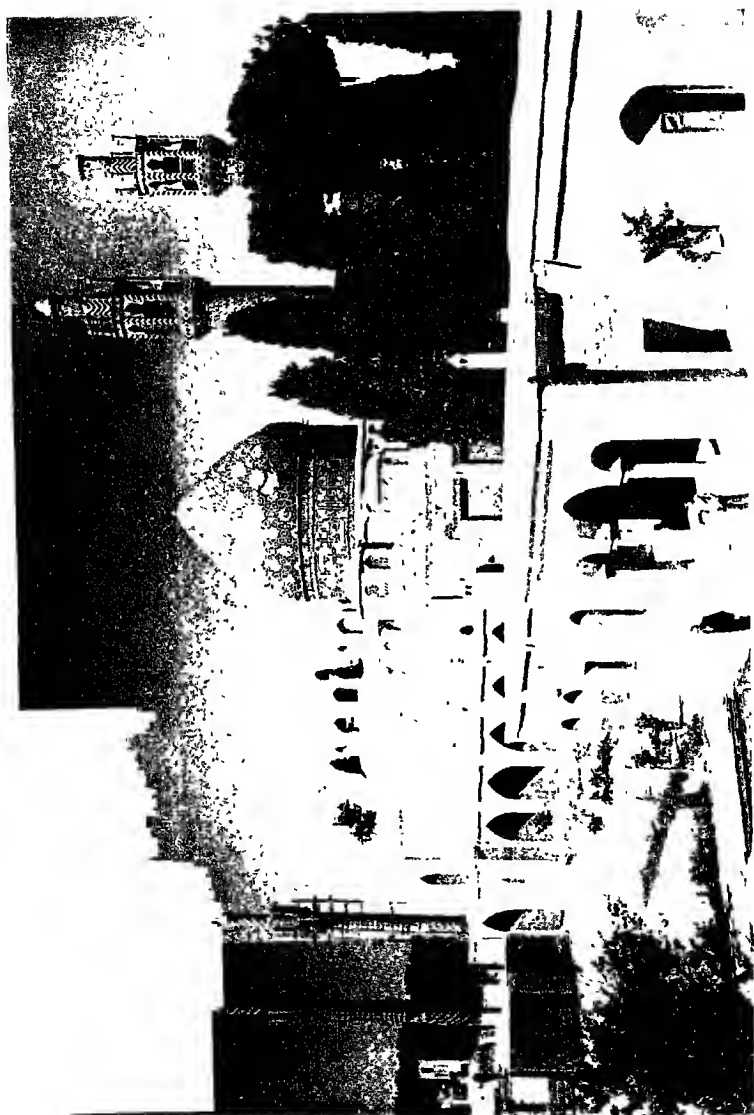
THE SECOND AMERICAN MISSION

As for the Persians, they undoubtedly hoped for financial reform, for economic development, for westernization, and for the safeguarding, or rather the realization, of the country's independence. They freely admitted their shortcomings and their distrust of one another's honesty and patriotism. Yet the Persian professional politicians, drawn largely from the absentee landlord class, had slight feeling of sympathy for the masses, little conception of the pain and unpopularity involved in the process of reform, little of the real statesmanship of action, and little desire that the rebuilding of their country should interfere with vested interests, the feelings of influential persons, or the game of personal and factional politics. To counteract the compromising and procrastinating inclinations of the ministers, we enjoyed the support of a group of intelligent deputies of the Parliament, men who had been identified with the revolution and with Shuster's ill-fated enterprise. We had, too, Reza Khan's support. Without that, it is almost certain that Persian criticism and opposition would have made any constructive work impossible and our position untenable. The Soviets did not welcome the Mission; they sniped at us in the Moscow press but gave us no serious trouble in Persia.

It should not be inferred that we escaped all difficulty and opposition. At the very start we faced a sort of enveloping movement to deprive us of initiative and put us under orders, the idea being to make us in effect advisers, or at least administrators given responsibility without authority. Later, persistent infractions of my contract led me to submit my resignation. This action proved effective.



REZA SHAH PAHLEVI



SHRINE OF NEVAICILAI VAHI NEAR KERMAN

From the beginning, we met resistance from the landlords, particularly the *grandeos*, who for years had escaped payment of taxes. Our centralizing of revenues and expenditures led to a long struggle with the Ministry of Posts and Telegraphs. Frequently, American provincial directors clashed with local army commanders. On such matters and others, tension sometimes developed between Reza Khan and myself. Budgetary items and details of legislation gave rise to disputes with the government or with ministers. Altogether we occupied no bed of roses.

From the beginning to the end, we adhered to the principles of sound finance and sound administration. We politely refused to compromise on essentials or to make individual exceptions to general rules. We assessed and collected taxes with as little ill feeling as possible, but vigorously and impartially. In our control of payments, we applied the law courteously, but with strictness and without favoritism. We said, "no," in kind tones, but with monotonous regularity and occasionally with emphasis. The Persians nicknamed me Dr. Poul Nist, "There is no money."

The results were soon evident; and, at the end of our period of service, the main preparatory job had been done: Persia's house, so far as concerned finances, was in order. We reorganized and reintegrated a financial structure that had fallen apart in a dozen directions and in a dozen ways. We centralized revenues, expenditures, and accounting. With better administration and new tax laws, revenues increased. These laws abolished the road tolls that had delayed and vexed movement over the highways and the medieval duties collected at the city gates that had burdened internal commerce. We established a more efficient, profitable, and humane administration of the public domains (villages and forests belonging to the government). Responsible for the collection and transport of grain and its distribution to the bakeries, we experienced one of Persia's recurring crop shortages, but staved off famine. The government with our assistance

balanced the budget, started payment of claims, and provided for the financing of new constructive undertakings.

With the finances in order, we turned to the revival of economic life and the encouragement of trade. The Parliament enacted a surtax on sugar and tea, which produced the funds that built the Trans-Persian Railway. American engineers, employed by the government on my suggestion, made the surveys and started construction. Another American engineer, similarly employed, directed the building and maintenance of highways. An American agricultural expert served jointly the Public Domains Administration and the Ministry of Agriculture. Americans also worked in the municipality of Teheran. The ministers in co-operation with us were making studies and plans looking to the revision of the tariff, development of irrigation, rehabilitation of the rug industry, and promotion of the tourist trade. We prepared a law, which the Majlis passed, providing for the establishment of the Persian National Bank.³ Oil figured also in the program. The Persian Minister at Washington had with some difficulty interested the Standard Oil Company of New Jersey in a northern oil concession. The Sinclair Company, however, made application, and after long negotiations with the Persians and after making arrangements with the Russians, obtained a concession approved by the Majlis.⁴

Social conditions likewise claimed attention. Persians and Americans alike looked forward to the curtailment of opium cultivation and the eventual elimination of the drug evil. Financially, the government was ready to work out long-term educational and public health programs.

By 1926 all of the preliminary essentials of progress—political, economic, and social—had appeared in Persia. Had it not been for the beginnings of large-scale looting by Reza

³ This was intended to be and later became a Persian-owned institution, entirely independent of the British-owned Imperial Bank of Persia.

⁴ Shortly after, the Sinclair Company gave up the concession. None of the prospecting done up to this time had demonstrated that petroleum in commercial quantities could be found in the North.

Khan and his Army,⁵ popular confidence in the government, indispensable to national unity, might have been gradually created in the minds of the people. It seems clear that if Reza could have restricted himself to the function of keeping order, and if a continuing American mission had guarded the treasury and guided the country's development, Persia might gradually have achieved the requisites of self-government and permanent stability. But in that year, Reza Khan, who had used the Army to control parliamentary elections, made himself Shah, and the country returned to absolutism with hardly a sign of protest from the so-called good men whose timidity and confusion lost for their country its golden opportunity to win lasting freedom.⁶ In 1927 Reza Shah Pahlevi, possessed

⁵ For months I was receiving reports from all parts of the country concerning the illegal requisitioning of men, horses, grain, and money from the villages. In fact, this looting was in some places so thorough as to leave nothing for the payment of taxes. After Reza became Shah, I sought an audience and gave him a summary of the reports that I had. He fingered his beads rapidly, a familiar sign of anger; and in spite of the respect that I took pains to show him and in spite of the facts, his anger was directed at me and not at his Army. It was well known also that Reza helped himself liberally to army funds and used the proceeds for personal purposes. He was already receiving "gifts" of villages, "gifts" proffered under duress or from fear. At the time he became Shah, his amazing greed had already made him wealthy.

⁶ Harold Nicolson, who at the time was counselor of the British Legation at Teheran, states that it was "largely" to the British minister that Reza Khan owed his rise to power. As he goes on to explain, "After the collapse of Lord Curzon's Anglo-Persian Treaty of 1919 it was evident that Persia was heading for complete disintegration; the only hope was that she could be renovated under strong leadership from within; Sir Percy rightly foresaw that Reza Khan was capable of such regeneration. And thus it came about that the Kajar dynasty was deposed by the Majlis. . . ." Harold Nicolson, *Friday Mornings 1941-1944* (1944), p. 7.

A Persian socialist puts the matter a little differently: "Capitalists, landowners, and merchants, who were much afraid of communism, cherished the desire for an absolute government, so that they could protect their wealth and expand business. The British Government, to protect its own interests in the East, also deemed it expedient that a powerful government should hold the reins of state in Iran, which could suppress all revolutionary ideas and prevent their diffusion in the British Colonies. Hence the policy of the British Government and the wishes of the Iranian capitalists coincided, and, in consequence, the lot fell upon Reza Shah." Hamrahan Party, *Governments of Iran from Autocracy to Democracy* (1943), p. 13.

My own conviction is that the British can neither be credited with Reza

of a growing anti-foreign mania and a misplaced confidence in his own capacities, dismissed the Mission.⁷ Thus ended the second American Mission and the second clinical demonstration.

REZA SHAH

A restrained or a constitutional role was not to be expected of Reza Shah. He was a creature of primitive instincts, undisciplined by education or experience, surrounded by servile flatterers, advised by the timid and the selfish. He was sincerely and deeply moved by the sorry condition of his country, conscious of his own strength, and supremely self-confident. He had no link with the Revolution and no solid identification, practical or sentimental, with the constitution. It was natural that he should look on the Persian King, in the way that the peasants of Mazanderan must have looked upon their sovereign, as absolute, source of all wisdom and "shadow of God." Thus, Reza Shah, having elected to become King, was fated to be a despot, and as events were to prove not a benevolent one.

He was in some respects a great man and, in the sum of his qualities and achievements, an extraordinary phenomenon. Big, erect, roughhewn, eagle-beaked, he remained to the end a soldier. Endowed with enormous energy, he worked without end or fatigue and drove others mercilessly. In the ancient

Khan's rise nor blamed for it, though they looked with approval on Reza as Prime Minister and as Shah. It was good diplomacy to climb on the band wagon; and it may have suited his purpose to make them think that they had influenced his decisions.

⁷ The new Shah was reported to have expressed his attitude toward me in these words: "There can't be two Shahs in this country, and I am going to be *the* Shah." He appointed Hedayat, a spineless and benumbed old man, Prime Minister, and a notoriously corrupt intriguer, named Prince Firouz, Minister of Finance. The latter's assignment was to harass me in the ministry, discredit me in the Majlis, and create dissension and disloyalty in the Mission. The government offered me a new contract, drawn in such a way that in practice my authority would be gone. After several conferences with the Prime Minister and the Minister of the Court, it appeared that no change would be accepted by the government; and I was unable to obtain an audience with the Shah. Accordingly, when my contract terminated, I left Persia; and as soon as their contracts expired, the other members of the Mission followed.

way of oriental monarchs, he attended personally to the affairs of state from the highest policy to the minutest detail. In the later years of his reign he seems to have become insane with power. The story is told that he wished to plant some trees in a certain spot. His forestry expert said: "Your Majesty, they will not grow there." The reply was: "They will if I order them to." It is related, too, how a flatterer, after reminding the Shah of his marvelous deeds, said: "Your Majesty, you are all-powerful, you are God." Reza is said to have thought a moment, and then remarked quite seriously: "Perhaps I am God." Brutality and greed, already well marked among his traits of character, grew to dominate his behavior. In keeping with his nature and in the tradition of Persian despots, as well as other dictators, he took fear as his primary means of governing. Like other and greater figures of history, he became a builder, imaginative, restless, ruthless, on an inconceivable scale, and with amazing results.

DICTATORIAL MIRACLES

Reza was first of all a militarist. He introduced universal military service, enlarged the Army from about 40,000 to over 90,000 men; joined the gendarmerie to the Army; bought some Italian gunboats for a Navy; and purchased airplanes and tanks.

The Shah was an extreme nationalist. Already before my departure, the government, driven on by him, had ended the extraterritorial privileges of foreigners. Davar, probably the ablest administrator among the Persians, received full powers to reorganize the Ministry of Justice, to renovate the civil and criminal law, and to build jails. Under Reza's leadership, Persia won the tariff autonomy that had been anticipated by the American Mission. As soon as I had left, Reza gave the Caspian fisheries to the Soviets, though in form this important and strategically located industry was to be operated by a joint Soviet-Persian company. After this act, which had apparently already been promised, the Shah seems to have given no more ground to the Soviets and no indulgence at all to pro-

Russian Persians. He canceled the British oil concession, but renewed it on more advantageous terms for Persia. The British bank lost its monopoly of note issues.

Toward America and Americans, Reza Shah showed a fairly consistent coolness. At one time, he angrily recalled his Minister at Washington on the ground that that worthy, while motoring through Maryland, had been insulted by a constable who seems to have been more familiar with traffic rules than with diplomatic immunity. The Persian government purchased the American school and college, founded and ably conducted by the Presbyterian missionaries. Reza's dislike of foreigners went to such extremes that he forbade his people to visit the embassies and legations and practically terminated social contacts between Persians and the foreign diplomats. The government continued to employ experts from other countries, chiefly from Germany and Switzerland, but only for factory management and technical services and never with authority. The Belgian customs mission was dispensed with. Books imported from foreign countries were censored, in some cases banned, in many cases burned. Reza aimed likewise at industrial self-sufficiency.

Nationalism asserted itself in other directions. Before I left, the calendar was reformed and the names of the months changed from Arabic to Persian. Shortly the name of the country itself was changed to "Iran." The government propagandized the ancient glories and culture of the land and encouraged the printing of books in Persian.

While nationalism often took a reactionary form, Reza aimed to modernize his country. Before my departure, the *kola*, picturesque headdress of the men, had taken on an unbecoming visor, and later gave way entirely to the western felt hat. Reza's male subjects likewise discarded the dignified flowing *abbas*. Beards followed in this process of elimination; smoothshaven faces, formerly suggestive of eunuchs, became the rule. Finally in 1936 an order went out that the women should put off their veils.

In the meantime, the conservative Moslem clergy had been stripped of their power and prestige. Religious observance declined. The world and the flesh claimed more devotees. Cinemas, restaurants, night clubs, and dancing gave lightness and atmosphere to a once drab capital. Camels and donkeys, still useful means of transport, fell under imperial disfavor, because they were primitive. Motor transport was to take their place and did to a considerable extent. Architects of public buildings and private dwellings attempted the modernistic style, often with ludicrous results. All sorts of machines and gadgets came into the country; many before they were needed, and before the Persians had learned to service and operate them.

Education received the Shah's patronage, and to young Persians seemed the golden key to a golden world. The government sent numbers of young men to be educated in Europe. A university, proposed in my time, was founded at Teheran. Sports flourished at the command of the Shah and with the financial assistance of the government.

In the economic sphere, the Shah aimed at the development and self-sufficiency of his country and his own profit. He improved cultivation on the lands that he had appropriated for himself. His Ministry of Agriculture enlarged the agricultural school, increased the usefulness of the demonstration farms, imported agricultural machinery, set up a laboratory for the making of serums, combated animal diseases and plant pests, and created two or three well-planned villages with reasonably attractive and healthful houses and with intelligent attention to the community water supply. New crops were promoted; and marked increases occurred in the production of tobacco, cotton, tea, sugar beets, and silk cocoons. An agricultural bank assisted in this development. Unfortunately opium cultivation expanded, with a decline in the production of wheat, the country's staple.

While I was still in Persia, private initiative and private capital were establishing and projecting factories. Reza Shah

probably stimulated this movement to some extent. The Majlis passed laws for the registration of companies and protection of patents and trade marks. Numerous companies were formed. The Shah's efforts, for the most part, seem to have been concentrated on a program of government-owned industries. This program he co-ordinated fairly well with the development of agriculture and the mines; and it was carried out with astonishing speed. At the end of Reza's reign, the government owned and was operating a tobacco factory, a glycerine and soap factory, five sugar mills, a cottonseed oil plant, cotton, silk, and jute mills, a sulphuric acid plant, cement plants, an establishment for impregnating railroad ties, a lumber mill, an iron foundry, a gas mask factory, munitions factories, an airplane assembly plant, cotton gins, canning factories, and plants for cleaning rice and tea. Some of these were large and all were equipped with modern machinery. A government corporation supervised carpet manufacturing, handled the commercial side of the industry, and made progress in the rehabilitation of this ancient craft.

Reza Shah made some monumental additions to the country's transportation facilities. He completed the Trans-Persian Railway, one of the world's outstanding engineering feats, and partly completed three ambitious branch lines. He built new roads, improved old ones, and started paving. He widened the main streets in most of the cities, tore down walls, laid out boulevards, opened vistas. Automobile and motor trucks multiplied. Commercial truck and bus services started. Filling stations appeared. Teheran, half dark at the time of my Mission with limping electric power and with houses mostly dependent on kerosene lamps and candles, burst into light at the touch of its dictatorial Aladdin.

Domestic and foreign trade increased. Faced with the exchange difficulties that plagued other countries, Persia became to all intents and purposes totalitarian in trade, as it was in government, and as it strongly tended to be in industry. Parliament passed laws instituting a public monopoly of foreign

exchange and of imports and exports. The government entered into barter arrangements with Germany and Soviet Russia; and unable to handle imports and exports directly, except for a few commodities, the Shah and his favorites made extensive grants of monopoly privileges to private Persian companies.

I have spoken of the agricultural bank. A mortgage bank assisted private building; and an insurance company was established. Both were creatures of the government. In addition the Shah, when Minister of War, had set up a non-descript institution named after his military title the "Bank Sepah," financed by army funds and jealously controlled by the military.

Industrialization, commercialization, and totalitarianism stimulated a disproportionate growth of cities. Women, no longer isolated and secluded, gained admittance to the university, to government offices, and to social functions. A woman's club was organized. In general, one could see a tendency toward association among the people. The standard of living of the upper classes improved. In the capital, those of this class who prospered from the new regime built substantial brick residences of a hybrid modernistic style. The new Shah Reza Avenue was lined with apartment buildings. Many of the houses and apartments had western toilets and bathrooms; all were electrically lighted; and one or two had central heating. Some expansion occurred in the common-school system, with an increase in school attendance. Illiteracy undoubtedly decreased. The people apparently read more books and journals, in Persian as well as in French and English. Medical service improved. The government and the municipalities constructed a few hospitals and established a number of clinics. Archaeological work under German and American directors proceeded on a sounder and more fruitful basis; national museums were opened at Teheran; ancient buildings, long neglected, were repaired and reinforced; historic ruins were made presentable.

Most of the activities mentioned in preceding paragraphs called for construction; and in the imitative imagination of the King of Kings, building became, not only a means to an end, but an end in itself. In this outlet for his energy, he must have got his fullest release and satisfaction, for structures were visible and tangible; they grew, multiplied, and joined in patterns under his eyes and orders.

How he could have done so much building of such variety in so short a time must remain a mystery. I have already mentioned the railroad—its tunnels, bridges, and stone buttresses were alone wonders—and the factories, roads, streets, and hospitals. The railroad station at Teheran would hardly compare with the Grand Central or Pennsylvania at New York or the Union Station at Washington, but it is as ample and impressive as, for example, the depot at Kansas City. The Shah largely replaced the ancient, crude, *caravansari*-like government buildings with modern, spacious, and for the most part well-planned structures. He gave the Persian National Bank an appropriately impressive and well-adapted edifice. He moved the Ministry of Foreign Affairs into palatial quarters. He made luxurious provision for the Officers' Club; and he erected a massive stadium for his revived athleticism. He housed the university in a group of attractive buildings. He put up hotels at the foot of the Elburz near Teheran, at three or four spots in the mountains, and on the Caspian shore. In some of the small towns and villages he arranged shopping centers, and here and there in rural neighborhoods supplied the peasants with improved standardized houses. He created at Fariman in Khorassan a model town complete with factories, shops, and stores.

At the time of his abdication, buildings of all sorts at Teheran and through the North were in various stages of construction—offices for government departments, branch railroad lines, a building for the insurance company, hotels, and casinos.

Reza Shah did not choose to live in the ramshackle dingy

old Gulistan Palace, where the ghosts of the Kajars walked but proceeded to conjure up the pure, sparkling, and monumental grandeur that should hedge about an emperor. He razed three blocks in Teheran for new palaces. Near the hotel at Ramsar stands a charming cottage-palace, and along the roads over which the Shah traveled he built rest houses where he could stop for meals or over night. He took care also that posterity should not forget him. Heroic statues of Pahlevi were erected in many places. In Teheran his figure dominates the public square, and, at the western entrance of the capital, he stands with his face to the city and, quite suggestively, with his back to the outside world.

Some of the Shah's constructions are architecturally fine; others are without interest; a few are fantastic.

^a At Ramsar on the Caspian he selected an excellent site, at the foot of wooded mountains near some hot sulphur springs about a mile back from the Caspian Sea shore. The hotel is luxurious inside and expensive throughout; but its exterior is fantastic. Statues stand guard on the roof. The steps leading to the entrance are lined by figures, silvered or gilded, of indiscriminate sizes and sorts, ranging from winged cherubs to giant warriors. As one looks apprehensively into the shrubbery at the side, one sees a panther—or it may be a tiger—threatening from its stone pedestal. The nightmare continues on the grounds below the hotel. Here fountains, walks, and flower beds are placed with no axis, vista, or plan. Finally, as the astonished visitor finds his way about, he comes on a fountain, upheld by the feet of four stone girls who are lying on their backs, chastely attired in bathing suits! A road leads from the hotel down to the casino and dressing rooms on the beach. The Shah lined the drive on each side with pine trees that he brought from the Shiraz area, some four hundred miles away. The pine trees are dying; and one wonders why the Shah did not think of palms, for Ramsar has the climate of Florida or Los Angeles. At this resort, which was intended to attract tourists, no provision was made for horseback riding, for golf, or for tennis.

The model town of Fariman, previously mentioned, supplies an even more astonishing example of misplaced energy. Its location seems to have had no possibilities from the standpoint of need or development, either agricultural or industrial. Trees were planted in and about the town. Unfortunately, trees require water; and, in that irrigated region, it was necessary to draw the water from the surrounding agricultural lands. Within two years after the Shah's abdication, half of the trees had died. The farmers simply took their water back. To them, bread had priority over shade or beauty.

The absurdities of Ramsar and Fariman were repeated at Teheran. Here the Shah built an opera house (where there was no opera), and a government-owned department store (in a land of bazaars and small shops).

While the Shah was working these expensive and dubious miracles, he amassed for himself a substantial fortune. A considerable part of the agricultural lands of Mazandaran came into his personal possession, and he had over 20 million dollars in the bank. How did the Shah find the money? In his regime, national, municipal, and private finances were intermingled; no reliable statistics were published. It may be gathered, however, that the funds applied to nominally public undertakings were obtained in four principal ways: by higher taxes and remorseless collection, by larger oil royalties, by inflation, and by the profits of government and private monopolies.

The Shah's taxation policy was highly regressive, raising the cost of living and bearing heavily on the poor. He exempted the landlords from direct taxation and restored the medieval duties collected at the gates of cities. Various services he procured for little or nothing because suppliers learned to be afraid of presenting bills to him. He used forced labor on roads and buildings, requisitioned trucks, and doubtless had other devices for getting things done cheaply. His private accumulations came from the produce of the agricultural lands that he appropriated, from a consistent looting of the rich and well-to-do, from the shares that he had in certain private enterprises, from gifts and bribes, from tribute paid by tribal chiefs, and from the rakeoff that he had from other's grafting. Altogether he thoroughly milked the country, grinding down the peasants, tribesmen, and laborers, and taking heavy toll from the landlords. While his activities enriched a new class of "capitalists"—merchants, monopolists, contractors, and politician-favorites—inflation, heavy taxation, and other measures lowered the standard of living of the masses.

He also swept clear a block or two for a stock exchange, and is said to have specified that it must be bigger than the one in New York. Fortunately it was not constructed

DICTATORIAL SHORTCOMINGS

Some of Reza's public acts were statesmanlike and long overdue. Others were sound in conception and would have been beneficial at the right time and in the right place and relationship. A large part of his construction program, in the light of the country's fundamental needs, was premature and wasteful. Not much of what he did contributed to the practical enlightenment, the basic strengthening, or the long-run progress of his country. He did things to the people and for the people. Little was done by them. A less superficial statesmanship might have paid more respect to intangibles and given more attention to fundamentals.

Agriculture, public health, and education are basic to the development and progress of the country. Agriculture depends upon water, and in Persia water depends upon irrigation. Yet, Reza's prodigious construction activities did not produce a single major irrigation project. Famines, caused by crop failures and maldistribution of grain production, have figured among Persia's most tragic visitations. No step was taken to cure this malady. Reza Shah cruelly exploited the peasants who form the mass of the population. He wisely perceived the problem of the tribes in its relation to national unity, but unwisely neglected the welfare of the tribesmen, attempted to abolish their way of life, imprisoned or killed their chiefs, and actually promoted the disunity, rather than the unity, of the country. His own real estate piracies contributed substantially to the insecurity of land titles.

In the field of public health, he started with hospitals, but largely overlooked preventive medicine and community hygiene. Nowhere did he build a city water system. Food and drink remained contaminated.

The Shah was really interested in education, and he reduced illiteracy, as I have said; but, compared with what he did for industry, educational progress seems insubstantial; and, as it happened, his industrial program contradicted the educational ideals that he professed, for Persia's factories, public and

private, employed woman and child labor to the greatest possible extent. He widened and paved thoroughfares, but neglected to set aside space for parks.

If Pahlevi had been more of a George Washington and had played a more restricted role, it is quite likely that the government and people would have done during this time most of the good things that are attributed to the Shah and fewer of the bad things. Moreover, the country probably would have made more real progress in the long run. During these years much of the essential economic change that occurred in Persia occurred also in Iraq, Syria, and Palestine. In these countries, too, factories were founded, cities grew, and modernistic houses appeared. Each of these countries built new hotels, and unlike Persia produced the skill to manage them. Moreover, in Iraq, Syria, and Palestine, the people themselves seem to have grown in energy, initiative, and purpose.

However one may appraise the program, it is evident that Reza's most damaging failure lay in the means that he employed: dictatorship, corruption, and terror.

He did not annul the constitution, substitute decrees for laws, close the parliament, or abolish the cabinet. Constitution, laws, parliament, and cabinet survived. But, in actual practice, he acted completely contrary to the spirit of the constitution and violated many of its provisions, notably the bill of rights. Elections took place, but the Shah controlled them. The puppet Parliament, cowed and corrupted, passed laws in due form, but strictly in accordance with the King's orders. The Prime Minister and ministers took their appointments and instructions from Reza and resigned at his bidding. He destroyed such freedom of the press as had previously existed, as well as freedom of speech and of assembly.

When I knew Reza, it seemed to me that he was unmoral, rather than immoral. It is proverbial in Persia that honest men are lazy, and active men are dishonest, and Reza Shah doubtless prized activity too highly; but no doubt he found the dishonest more congenial, more willing to be his tools, and

more satisfactory from the standpoint of monetary returns. In any event, as time passed he put aside his more or less decent counselors and surrounded himself with the worst elements of the empire. These he made his accomplices. To these he gave privileges and favors. With amazing thoroughness, he rewarded vice and punished virtue. At the same time, he presented to his impressionable people a personal example of colossal corruption.

The practice of terror came naturally to Reza Shah. While I was still close enough to observe, instances of his brutality came to my attention; but after the first years of his reign, the terror intensified. Apparently he did not carry out any general purge at any one time, though one sizable massacre is said to have taken place. I was informed on my return to Persia that he had imprisoned thousands and killed hundreds, some of the latter by his own hand. Several prominent men, I was told, were poisoned in prison; for example, Firouz, former Minister of Finance; Teymour Tash, once the trusted Minister of the Court; and Sardar Assad, a chief of the Bakhtiari who at one time had been Minister of War. Davar, already referred to as an exceptionally able official, committed suicide. Kheykosrow Shahrokh, Parsee deputy, respected business man, and a former friend of the American Mission, was murdered by air injection. Religious sanctity or sanctuaries did not deter the despot. He desecrated shrines and beat up and killed holy men.

Fear settled upon the people. No one knew whom to trust; and none dared to protest or criticize. Except at the very beginning no one seems to have attempted to assassinate the Shah. He himself, it is said, believed that he was destined to live long.

CHAPTER IV

BRIDGE TO VICTORY

Reza Shah may have demonstrated that a strong Persian government could keep Russia at bay; but to all intents and purposes he handed Persia over to Hitler. While my first Mission was there, the Shah, seeking another basket for Persia's economic and political eggs, gave the Junkers company an airline concession and began hiring German experts. After the Americans left, a German served a short time as financial adviser and another organized the National Bank. A German colonization scheme was discussed. Other German experts arrived. The Shah concluded barter agreements with Germany and obtained from that source a considerable part of his materials and machinery. In 1940-41, Germany had taken first place in Persia's foreign trade.

It seems that, after Hitler's rise to power, some if not all of the experts became Nazi representatives in disguise. Apparently a few of them were actually army officers. When the second World War broke out, they were supplemented by political and military agents, secret or otherwise; and, when in June 1941 the Nazis invaded Russia, their activity in Persia intensified.

INVASION AND ABDICATION

With Russia in the war, the Allies required the use of Persia as a supply route. The railroad was now operating from the Persian Gulf to the Caspian Sea and a branch ran in the direction of Tabriz near the border of the Caucasus, while motor roads, difficult but usable, led from South to North. Furthermore, the Allies could not permit Persia, at the backdoor of hard-pressed Russia, to be occupied by the Nazis or used as a base for activities either among the Persian tribesmen or in Afghanistan and India. The British and Soviets, therefore, demanded that the Persian government dismiss its Nazi em-

ployees and arrest the Nazi agents in the country. The Shah procrastinated; Britain and Russia presented an ultimatum; and failing to receive satisfaction, they invaded the country in August 1941, a British force from the South, a Soviet from the North.

At first, Reza wanted to offer resistance and a few shots were fired, but his Army collapsed ignominiously. It appears that the officers quite promptly turned tail and ran; but there is at least one known exception, an officer who afterward related his experiences. Asked if he had run, he replied: "Oh, no, I didn't run. I took off my uniform." As a matter of fact, the officers lost more than uniforms and more than honor; they lost most of the costly armament that had delighted the Shah and helped to intimidate the populace.

The two Allied forces met in Teheran. The Soviet Ambassador and the British Minister demanded the Shah's abdication. Reza necessarily agreed. He stipulated that a sum of about 13 million dollars in the bank should be transferred in trust to his successor to be expended for public-welfare projects, and that the agricultural lands, factories, hotels, and miscellaneous enterprises, which Reza had made his personal property, should be returned to their original owners or ceded to the government.

The British escorted the ex-Shah with two of his sons and a few aides and servants to a southern port. Put on a ship there, he apparently believed that India was to be his place of exile. Informed at Karachi that he was being taken to South Africa, he lost his cheerfulness, withdrew from his entourage, and brooded alone and long. Of his subsequent life and thoughts, his former subjects learned little. He died at Johannesburg in July 1944.

Reza abdicated in favor of his twenty-two year old son, Mohammed Ali Pahlevi, who promised to be a constitutional king.

Foreign invasion, the disintegration of the Army, and the despot's sudden departure produced shock, disorganization, and

disorder. The tribes were again armed, and resumed their banditry. Protected by the general anarchy, government officials stole the revenues, while other classes of extortioners made free use of the opportunity that chaos presented. War already had cut off much of the country's foreign trade. Internal insecurity now aggravated the hoarding of goods, accelerating inflation and stimulating speculation. The Persian government made elaborate but futile efforts to deal with spiraling prices. The swollen bureaucracy suffered demoralization and partial paralysis.

OCCUPATION AND ALLIANCE

British and Soviet forces took stations at numerous points and settled down on the country for the duration—or longer, as many Persians suspected. Soldiers of both the Allies were in and around Teheran, but northward the Russians were in virtual occupation and southward the British took charge of Allied military interests. The Trans-Persian Railway passed under Allied control. The British took over the southern lines, and the Soviets the northern, posting guards, supervising maintenance, allocating freight cars, and directing operations, but leaving the Persian administrative organization intact. The Persian Gulf ports were taken under British management; the Caspian ports, under Soviet. The Allies also appropriated to their use about half the telegraph lines.

Great Britain and the Soviet Union concluded a Tri-Partite Treaty of Alliance with Persia on January 29, 1942.¹ The two powers "jointly and severally" undertook to "respect the territorial integrity, the sovereignty and the political independence" of Persia. The latter gave to the Allied powers the use of all means of communication throughout the country including railways, roads, ports, and telephone and telegraph lines.

Article IV will be quoted in full:

The Allied Powers may maintain in Iranian territory land, sea and air forces in such number as they consider necessary. The location of such forces shall be decided in agreement with the Iranian Gov-

¹ See App. C, pp. 276-79.

ernment so long as the strategic situation allows. All questions concerning the relations between the forces of the Allied Powers and the Iranian authorities shall be settled so far as possible in co-operation with the Iranian authorities in such a way as to safeguard the security of the said forces.

It is understood that the presence of these forces on Iranian territory does not constitute a military occupation and will disturb as little as possible the administration and the security forces of Iran, the economic life of the country, the normal movements of the population and the application of Iranian laws and regulations.

In Article V Great Britain and Russia promised to withdraw their forces not later than six months after the end of the war with Germany and her associates.

The two powers undertook in Article VI to "consult" the Persian government "in all matters affecting the direct interests" of the country and in Article VII "to use their best endeavours to safeguard the economic existence of the Iranian people against the privations and difficulties" arising from the war.

Persia at once severed diplomatic relations with Germany and Italy and later took similar steps toward Japan. A declaration of war against Germany followed in September 1943 and later against Japan. In conformity with the Treaty of Alliance, however, Persia took only a passive part in the war. Besides the railroad, telegraph lines, and ports, the Allies appropriated to their use various other properties and facilities. On the basis of contracts with the Soviets, the Persian munitions factories and a canning factory turned to the service of the Red Army; and the British leased an airplane assembly plant.

After Pearl Harbor, an American force, known later as the Persian Gulf Command, under Major General Donald H. Connolly, established itself in Persia with headquarters at Teheran, and took over from the British the operation of the southern end of the railroad. The Tri-Partite Treaty did not cover the American force, which entered and remained in the country without benefit of treaty arrangements.

The Allies not only kept armies of considerable strength in Persia, but they also conducted large-scale construction and

maintenance operations at the ports and camps and on the railroad and highways, employing many thousands of Persians. To provide currency for their local needs, each of the Allied governments concluded a financial agreement with the Persian government, providing for the purchase of rials² with foreign exchange and the conversion of up to 60 per cent³ of the exchange into gold.

ALLIED ECONOMIC CONTROLS

In order to conserve shipping and allocate goods in short supply, the British had established at Cairo a Middle East Supply Center; and after our entrance into the war Americans joined the staff of this authority. MESC (Cairo), to give it its more common name, controlled imports into the Middle Eastern countries, and maintained in each country an organization, largely of specialists, to study requirements, approve quotas, and assist in augmenting local production. The United States Lend-Lease Administration, later called the Foreign Economic Administration, set up an office in Teheran, and worked in co-operation with MESC, as well as in direct purchasing arrangements with the Persian government. The British and American Legations established and participated in an Anglo-American Import Licensing Committee to screen the applications of Persian merchants.

The invasion and attendant conditions had disrupted Persia's truck transportation. The Allies undertook to supply the absolutely necessary trucks and tires, and, to ensure their proper use, set up a Road Transport Board with a Persian chairman and members representing the British and American Legations, Lend-Lease, and MESC. The Board employed an Englishman to direct the Road Transport Administration, which exercised, without legal or treaty basis but by force of circumstances, what was intended to be complete control over the issuance of tires and over the use of trucks in the country. It also operated

²The rial is the Persian monetary unit. At the rate of exchange fixed during the war the rial was worth about 3.2 cents.

³In the agreement with the United States 100 per cent was convertible.

a fleet of trucks of its own. This anomalous organization financed itself, but its assets were supposed to belong to the Persian government.

The United Kingdom Commercial Corporation, a trading company formed by the British government in April 1940, and entirely financed by the British treasury, engaged in the transportation of civilian goods to Russia, and imported commodities into Middle Eastern countries, bringing into Persia bulk imports of sugar, as well as shipments of wheat, drugs, and other goods.

Thus, Allied governments exercised wide and far-reaching control over the economic life of the Middle East. The staffs of MESC and of the Legations were overlapping and in part identical. In the beginning, naturally, British officials and experts practically monopolized the setup. In Persia, however, the American Legation played an active part in obtaining essential supplies, and in getting the government's broken-down economic machinery going. Legation affairs, inter-allied affairs, and the internal affairs of the Persian government were pretty thoroughly mixed. In the background, the idea was that the Middle East should be treated as a unit. Giving expression to this idea, the British government appointed a Minister of State resident at Cairo; and in due time the United States government sent James M. Landis to Cairo, with the rank of Minister and the title of American Director of Economic Operations in the Middle East. He acted as regional representative of the Foreign Economic Administration and served on the executive committee of MESC; and it was apparently his function also to co-ordinate American economic activities throughout the area.

The Persian government established agencies of its own to exercise the functions that resulted from Allied control of trade. Tea, sugar, and cotton piece-goods were monopolized by the government. After an effort had been made to leave imports in the hands of the merchants, a department was established to handle the procurement of these commodities and other gov-

ernment purchasing. The Ministry of Commerce and Industry undertook the issuance of import and export permits to the merchants; but this work was actually done, for the most part, by MESC and the two Legations. Agents of the government distributed the rationed goods, but with scandalous favoritism, inefficiency, and corruption. Sugar, tea, and piece-goods, with bread, probably account for 90 per cent of the simple standard of living of the masses; but apparently the bulk of the first three staples and a good deal of grain found their way into hoarding or the black market.

ORIGIN OF THE AMERICAN "ADVISORY PROGRAM"

In connection with the Allied military effort and the internal emergency in Persia, the British detailed a considerable number of men to help the Persian government produce and conserve supplies for its needs. The United States government also sponsored the employment by the Persian government of a number of Americans to work in Persian administrations.

Internal security must have seemed the most acute need from the Allied viewpoint, as well as from the Persian. Tribal uprisings or other disorder might have threatened the supply route and made necessary a complete occupation of the country. The War Department detailed Major General Clarence S. Ridley to serve as adviser to the Persian Army. The gendarmerie, Persia's national constabulary or police force, had been transferred to the Ministry of War, but after the Shah's abdication this stepchild of the Army returned to the Ministry of the Interior, where it logically belonged and where it would be less likely to serve the ambitions of some other would-be dictator. The same Ministry supervised municipal administration, including the police forces of the cities and towns. Our War Department detailed Colonel H. Norman Schwartzkopf to command the gendarmerie. Both Schwartzkopf and Ridley had a staff of American Army officers, and their services rested on agreements concluded between the American and Persian governments. To advise on police administration, the Persians employed an American civilian, L. S. Timmerman, and

to act as adviser on irrigation, Dr. L. M. Winsor. Colonel A. A. Neuworth, temporarily detached from the United States Army, assisted the Ministry of Health.

Still another American, J. K. Sheridan, came to Persia to act as adviser to the Ministry of Food. Collection of grain by the government to meet the needs of the cities had become more and more difficult because of the Shah's refusal to raise the price. His despotic power had assured collection; but now, with his strong hand withdrawn, the food problem became pressing. Insecurity and inflation caused grain, like other things, to be hoarded. Lack of transport aggravated the situation. Moreover, collection of grain had been removed from the Ministry of Finance; and the new Ministry of Food had to build up an extensive organization at the worst possible time. Finally, in 1942 a partial crop failure brought Teheran and other cities for a short time to actual famine and for months to semi-famine.

At this juncture, when it was too late for anything but emergency measures, Sheridan arrived. Bread riots broke out in Teheran in December 1942, with damage to property and loss of life. For several months, the quantity of bread distributed to the people was insufficient and its quality bad. Isolated cases of starvation occurred; and a portion of the population, whose large numbers can only be guessed at, suffered from under-nutrition as well as malnutrition.

As it was explained to me at the State Department in the summer of 1942, Persia had again turned to America for help and desired me to come back with another financial mission. The second World War had revived with emphasis and visible immediate menace the conditions that had led to the employment of American missions in the past. Armed forces of Britain and Russia occupied the country. Insecurity prevailed. Prices were skyrocketing. Trade was in a slump and administration in chaos. Bankruptcy and famine, perhaps revolution, threatened. Constitutional government, restored, betrayed its impotency; but in the reaction from Pahlevi's tyranny the dream of 1906 seemed to have another chance for fulfillment.

CHAPTER V

THE THIRD AMERICAN FINANCIAL MISSION

In order to follow the course of the third American experiment in the stabilization of Persia, it is necessary to understand the relations of the Financial Mission with the United States government, the type of undertaking that we represented, our legal and contractual foundation, some of the conditions that influenced the quality and effectiveness of the Mission, and the kind of job for which we became responsible.

THE DEPARTMENT OF STATE AND THE LEGATION AT TEHERAN

In the Department of State, reports and questions relating to the Middle East are handled on the lower level by the Office of Near Eastern Affairs and the Political Adviser on Near Eastern Affairs. Because of their specialized information, the lower officials have much to do with the development of policies and even more with their execution. These officials, when they express themselves, can usually be assumed to reflect the Department's mind; but it is evident that in recent years disagreements among the lower officials and at times among the higher have hampered the formulation of policies and prevented prompt and clear-cut decisions on matters requiring action. Most, if not all, of the men on the lower levels are career diplomats, members of the Foreign Service.

From these officials I learned in the summer of 1942 that the Persian government desired me to return as head of a third American financial mission. Both the State Department¹ and the Persian Chargé d'Affaires at Washington agreed that the Mission, through its head, should be equipped with authority similar to that granted previous financial missions; and the

¹At this time most of my contacts with the Department were through the lower officials, supplemented by an interview with Assistant Secretary Berle and another with Under Secretary Welles.

Persian Parliament approved a law embodying the terms of my contract on November 12, 1942.³

The contract was for a period of five years; and, from my point of view, the primary purpose of this Mission, like that of past undertakings, was to assist Persia to solve its normal long-standing problem, as much as conditions might permit during the war but pre-eminently during the postwar period. Although the Atlantic Charter had been proclaimed more than a year before, the Department had apparently given little thought to the postwar period, so far as the fundamentals of the Persian problem were concerned, or with respect to American responsibilities in the Middle East for the maintenance of world peace. I was informed, however, that the United States after the war was to play a large role in that region with respect to oil, commerce, and air transport, and that a big program was under way.

Quite understandably, the immediate and chief concern of the Department was with Persian conditions as they affected or might affect the Allied war effort. The Nazis were then moving into the Caucasus. The Persian government, I was told, showed extreme weakness and appeared on the point of breakdown; and the Department expected me to put "stiffening" into the government. On this point, no misunderstanding could exist or arise. Unless the Persian government could be kept going through the war, the Allies would be seriously handicapped in their use of the "bridge to victory" and any postwar effort in the country would probably be impossible. One or two of the Department's officials emphasized what was believed to be an increase in the ability and nationalistic feeling of Persians and suggested in effect that I should be more "diplomatic" than I had been during my previous service. Yet, the officials of the Department did not want to participate in the negotiation of the terms on which I was to be employed and received without question the contract as agreed upon between the Persian government and myself.

³ The Law of the Engagement of the Administrator General of the Finances is printed in App. A, pp. 269-72.

It became evident later that the Department, at the time of these conversations, had not reached an understanding or made a decision regarding the kind of American enterprise that it was sponsoring. Americans, as I have said, were already in the employment of the Persian government. Most of them had gone as advisers, though Schwartzkopf possessed executive authority and Sheridan, confronted with an executive task, was naturally attempting to act as an executive. The Financial Mission was to be executive, not advisory. An executive setup not only followed the American tradition in Persia but also appeared closely and logically related to what the Department expected of the Mission. This kind of organization also implied that we had a job to do and that we would be eventually judged not by diplomatic standards of personal relations or by the popularity that we won but by the character of the administration that we established and by the administrative results achieved. Unfortunately, these points remained unclarified; and the Department's officials, with their diplomatic background and unfamiliarity with executive work, did not apparently understand what is implied by organization and administration or what was involved in the kind of job that we were undertaking.

Moreover, the Department's policy regarding its own relations to the Mission seemed incapable of clear definition. I was told that we were to be "Persian government officials" and that I was not to be responsible to the American Legation at Teheran or report to it. On the other hand, it was explained to me that the Department intended to have more to do with this Mission than with previous ones; and I was requested to maintain close relations with the Legation and keep it informed. When I warned the officials of the Department that the kind of mission they had agreed to could not do its duty in Persia without arousing criticism and incurring opposition, they unhesitatingly promised me the Department's support in case we should run into trouble. In the event charges should be made against me personally, I was promised an opportunity to report

my version of the facts before any action would be taken. These assurances appeared at the time sufficient.

In another direction, the Department's lack of information and of foresight was to have serious effects in the future. During the regime of Reza Shah, hundreds of young Persians had been educated in Europe and at home. A large proportion of these had found employment in the dictator-king's expanding administrations. Reza probably did not know the defects of his bureaucracy; the bureaucrats themselves either did not know or did not want others to know; and few outsiders could learn the truth. The officials of the Department of State believed that capable Persians now held the various administrative posts. The Persian Chargé d'Affaires at Washington upheld this view and declared that the organization and procedures of the Ministry of Finance were as I had left them in 1927. Accordingly, I planned a mission of modest size, requesting and obtaining authorization in the law of my engagement to bring with me eight associates. Of these I was able to employ only six before my departure from America.

When I arrived in Persia on January 29, 1943, I found the Legation badly understaffed and correspondingly over-worked. Though well informed of wartime economic affairs, with which it was constantly and actively concerned, the Legation appeared to have little knowledge of political currents or of anything else that went on beneath the surface or outside of the capital. It is not far from the truth to say that, with respect to its gathering of information, our Legation was half-blind and half-deaf. It was half-dumb also in the sense that it partially lacked means of communication with the Department, because of a shortage of drafting officers and of stenographers and typists.

Mr. Louis G. Dreyfus, who presided over the Legation at the time of my arrival, was generally considered the best as he was the most popular and effective, of the men who had represented the United States in Teheran. The Minister's wife had captured the hearts of the Persians, not only as a charm-

ing hostess, but also as a sympathetic and tireless worker in the slums of Teheran. Daily she took medical care to hundreds of the poor people who live and fester like unclean animals in caves. No publicity agent, aiming to dramatize and popularize America in the Persian mind, could have improved on Mrs. Dreyfus' spontaneous, simple, and sincere technique. The Department instructed the Minister to give the Mission co-operation and support; and this he did with consistency, sympathy, friendliness, and good effect.

AUTHORITY AND SOLIDARITY

Generally speaking, the legal arrangement that I proposed and that the Persians accepted corresponded closely with the conditions under which I had previously worked and with the status and opportunity that had been accorded Shuster. My contract, however, did not merely follow precedents; it rested on a knowledge of Persian politics and morals and on a consideration of American prestige in that part of the world. The American tradition in Persia had been built up by the two previous Missions, and it contrasted sharply with the impressions and recollections left in the country by men of other nationalities. Americans had worked for *Persia* single-mindedly, impartially, and exclusively, with no political or commercial strings attached to them. Their job, as they saw it, meant much, not only to the country that employed them, but also to their own reputations and future prospects. Moreover, since America and Americans in general are largely judged in the Orient by the characters and conduct of those who visit that region, Americans in Persia bear a definite responsibility for the protection and fostering of the prestige of their country. Accordingly, Americans called there to do financial work, which is the key to the entire program of reform and progress, had insisted that they be afforded an opportunity to do their job; and, within the limits of their rights, they had resisted, when they could not prevent, any opposition whether Persian or foreign which threatened their opportunity to work or the accomplishment of their task. Our attitude in this respect has

accounted very largely for the high regard in which Persians have normally held us. I saw no reason in 1942, and apparently no one else did at that time, why we should change this attitude or break with a long and worthy tradition.

My new contract embodied two main principles: that of authority and that of solidarity.

The contract powers covered the following: (1) preparation of the state budget, subject to the approval of the Minister of Finance, of the Council of Ministers, and of the Majlis; (2) control of payments and financial obligations; that is, the Persian government bound itself to make no expenditure and incur no obligation except over the signature of the Minister of Finance and my counter-signature; (3) control of personnel; after consultation with the Minister of Finance I could appoint, promote, demote, or dismiss officials and employees of the financial administration, of other government offices receiving, accounting for, or spending public funds, and in "establishments directed by Government capital"; (4) reorganization of the financial administration, subject to the approval of the Minister of Finance; and (5) direction or "immediate charge" of the entire financial administration, under the general supervision of the Minister.

These were substantial powers, though one, "the power of the purse," was negative; while three were exercised jointly with the Minister of Finance or subject to his approval, one after consultation with him, and another with his general supervision. Obviously, final authority rested in the Majlis or in the cabinet. To ensure understanding and co-operation with these bodies, my contract included a clause giving me the right to attend meetings of the Council of Ministers and of Majlis commissions when financial questions were discussed.

It must be repeated that, so far as authority was concerned, these conditions constituted the minimum essentials for useful and creditable work. Finance, one must keep in mind, is the key to the rehabilitation of Persia; but in that immature country political and other self-interested pressures on the

financial administration are so numerous, so strong, and so uninhibited that, if American financial officials are merely "advisers," their advice on the really substantial matters will be disregarded. In consequence, the presence of such Americans is useless to Persia—worse than useless because they create the false impression that reform has been undertaken. Thus, they become automatically "window dressing" and scapegoats for the Persian elements who are most opposed to reform. In addition, the weakness and futility of the advisers are detrimental, not only to their own prestige, but also to the prestige of Americans generally and of the United States.

The powers just referred to were granted to the Administrator General of the Finances, the head of the Mission. All other members of the Mission, like all the Persian employees in the financial administration, were made responsible to him. Such an arrangement was necessary to ensure the solidarity of the Mission. The term *solidarity* covers a variety of requirements and conditions which in the aggregate create and maintain an effective operating organization. Such requirements and conditions are elementary in the thinking of all experienced business executives and public administrators. Leadership and unity are required in any successful kind of team work or group effort; but they are vitally necessary in Persia, where those who wish to destroy the effectiveness of the group usually attempt in most insidious ways to create disloyalty and disaffection among its members. For Americans in Persia, the famous remark made by Franklin at Philadelphia in 1787 is quite apt: "We must all hang together, or we shall all hang separately." In the case of the Mission, the basic understanding was that its members stood together behind their chief, reporting to him and receiving instructions from or through him. Loyalty was implicit in this understanding; but equally vital were the relations of members of the Mission with each other. Solidarity and success required co-operation, tolerance of one another's shortcomings, mutual generosity, and the spirit of give and take, along with an absence of cliquism, friction, and dissension.

Our executive purpose and duties required that most of the members of the Mission should hold executive positions and that the powers assigned to me should be delegated in large part to my colleagues. From this delegation it followed that each American head of an administration would be entitled to and expected to demand the loyalty of his American and Persian subordinates. Thus, as we fitted ourselves into the Persian governmental setup, we served as executive officials of the Ministry of Finance, forming the superior part of a hierarchy in which authority was delegated and responsibility fixed. Yet we also formed a group, appropriate for the unification of policy and the co-ordination of action.

As I have said, my contract stipulated that the administrative arrangements just described would be in effect for five years, unless terminated by one or the other party at the end of three. Time to do the job was an obvious requirement. What needed to be done could not be done quickly. Particularly where people expect too much too soon, it was necessary to be safeguarded as far as possible against the disappointments and resentments that are sure to appear during the months of consolidation, preparation, and reorganization. The period of three years was certainly too short for the completion of the task; but it should have been sufficient, as it was in 1922-25, to get the work going, to unfold the program, and to show what might be expected.

I should add that, in deference to nationalistic feeling in Persia, the new contract differed from the former one in two respects. First, it had been provided previously that, in case of any dispute between the Persian government and myself regarding the interpretation of the contract, such dispute should be referred to arbitration. This had been objected to as inconsistent with the sovereignty of the country. Under the new contract, disputes were to be referred to the Majlis for decision. Second, under my former contract the government obligated itself to consult with me before granting any economic or commercial concession. On my suggestion, this obligation was eliminated from the new agreement.

PARLIAMENTARY APPROVAL

The contract that I proposed met with no objection from officials of the State Department, and it was enacted into law by the Majlis by a vote of 70 in favor and 3 not voting. What was said in the debate and what was left unsaid made it evident that few of the deputies took at face value the functions that they had assigned to us. Few, if any, looked upon the Mission as their instrument for the exercise of financial control. Not many apparently expected that we would or could interfere with their personal and political interests.³ While the deputies knew that the financial situation had got beyond the control of Persian ministers, they were not ready to expose the real causes of the condition or to admit their own responsibility. The Majlis showed nationalistic sensitiveness, but little of that sincere humility which had eased our way in 1922. As a matter of fact, most of the members had served as the appointed puppets of Reza Shah and were themselves participants in the corruption and demoralization of the government.

A strong, able, and frank speech in support of my engagement was made by Deputy Ali Dashti. He expressed the opinion that Persia needed advisers for all fields of operations. "We should confess our defects." Advisers were needed because of "psychology and morale." "I don't want to say that we lack honest individuals. What I mean is that we do not have as much energy as foreigners. . . . We should not praise ourselves by saying that once upon a time Cyrus the Great conquered the whole world. . . . You must have noticed that as soon as Reza Shah departed what robberies took place and what misappropriations are still taking place. . . . In what other country can you find today so many traitors, adulterators and embezzlers, all immune from punishment?"

³ During the debate on the clause that gave me power over finance personnel, "after consultation with the Minister of Finance," Deputy Dehestani remarked, "Dr. Millspaugh's acts were very satisfactory, but in behavior he was very harsh. Here, in the clause under discussion, I think it would be more appropriate to write 'with the approval of the Minister of Finance,' for he may show his obstinacy, which I know he possesses, by dismissing our honest employes who may disagree with him."

But Deputy Seghat ul Islami, while in support, spoke in a different strain: "I of course, love Americans. They are an honest nation. They are a great nation. They are a nation that has taught the lesson of democracy to the world. All these I accept. But, meanwhile, I am not prepared to hear in this assembly that Iranians are thieves."

THE MISSION'S JOB: ADMINISTRATION AND FINANCE

The Mission's job, as we saw it, was to solve four sets of problems. One was administrative, concerned with personnel and organization.

Our Persian employees in the Ministry of Finance did not welcome us. Some were anti-American. Some professed their confidence and loyalty, so far as I was concerned, but wanted no interference from my American associates. Most of the old, experienced men and many of the young and educated proved in practice too proud to work in positions that we could assign to them. Three or four of the higher officials believed that they were better administrators than Americans, and frankly said so. Many of the employees who did not speak English expected to be thrust aside in favor of others who knew our language. A considerable number of the functionaries had skeletons in their closets, if not stolen goods, and feared being found out. Many who were political appointees or were doing no work or were unnecessary—a considerable proportion fell in this category—looked forward apprehensively to dismissal. Most of them had settled down into grooves and disliked to be disturbed in their familiar and, in some cases, money-making habits. Combinations and groups had formed; higher officials were jealous of one another; and all were inordinately sensitive.

Apathy, discouragement, discontent, and demoralization lay like cold anesthetic blankets over the entire personnel. Most of them complained of unfair treatment; all felt the frightful pressure of inflation. Few showed optimism or expressed hope. Thus, we had to work through a personnel which, under the impact of new leadership and new ideas, reacted consciously

or unconsciously with evasion and obstruction. We found it almost impossible to get information; it proved equally difficult to get orders and regulations obeyed. Among these employees were honest, capable, and promising men who might be useful to the service and to the country, provided someone had the time and means to find, re-educate, properly compensate, and protect them.⁴ On the whole, any substantial improvement depended on bringing salaries into line with the cost of living.

The financial administration urgently required reorganization. During the dictatorship the organization had steadily disintegrated. The Ministry at Teheran had broken down into some 34 separate units loosely supervised; and a serious difficulty in the way of integration and effective direction lay in the circumstance that the Ministry's offices were scattered about the city in 15 different buildings.⁵ In the provinces scores of financial agencies, large and small, reported directly to Teheran. The over-all structural reorganization presented no great difficulty, but it was far from easy to persuade the officials to act in accord with the spirit and the procedural requirements of the new setup.

During the process of disintegration, the Ministry had experienced an astonishing development of red tape and of checks and re-checks. These supposed safeguards against dishonesty

⁴ An aspect of the Persian personnel problem is supposed to have been stated some twenty years before by a Prime Minister in the following lines:

"Improvement of the departments is the key to a treasure;

But on this treasure many are the serpents keeping watch.

These serpents are the parasites who at every moment,

Occupy positions by tact and cunning.

A wise statesman and a bold director are required

To crush the head of these harmful serpents."

The Shookhi, Nov. 13, 1944.

⁵ The ex-Shah had more than half completed a huge new finance building; but work on it had been suspended because of the war-imposed shortage of materials. Just in the rear of the unfinished structure stood an old but interesting building which had been occupied in the days of the Kajar dynasty by the Shah's harem. Here the Minister, the Under Secretary, and I had our offices. The ghosts of the departed royal wives and concubines gave us no trouble.

had in practice multiplied the opportunities for obstruction and for bribery and misappropriation. Procedures had grown into a veritable labyrinth where at every turn an official could waylay and levy toll on those who were unlucky enough to have business with the Ministry. Likewise, the slowness, negativity, and evasiveness of the Ministry's correspondence and other paper-work reflected the psychological and moral state of the personnel and the prevailing disorganization. Since practically no case involving another ministry ever came to a conclusion, the Ministry's correspondence had grown in volume like a snowball, finally taking on the proportions and the speed of a glacier.

Another set of problems fell under the heading of public finance. These concerned, first, government finance or, to put it in another way, the financial side of government; and, second, currency, banking, and exchange. The problems of government finance boiled down to the tasks of preparing the budget, getting it approved, executing it, and rendering accounts. From the viewpoint of essential action, collection of revenue and control of expenditure were the main things that had to be done. Practically all aspects of government finance are identified with these two fundamental operations or, as in the case of borrowing, arise from the failure to perform them or the desirability of postponing them.

Government finances at the time of our arrival presented an unpromising picture. For at least three years, expenditures had exceeded revenues. In the fiscal year ending March 21, 1943, according to the figures that we were able to obtain, the deficit already amounted to over 40 million dollars; and the debt, mainly to the National Bank, exceeded 100 million dollars. Both deficit and debt were actually much larger, since accounts had fallen far into arrears, and we had no dependable basis on which to estimate claims.

From the purely fiscal standpoint, this situation made it necessary to augment revenues and reduce expenditures. We had two ways of increasing receipts: one, by collecting more revenue from old or new taxes, and two, by enlarging the

net income of the government from its industries and commercial enterprises.

THE MISSION'S JOB: EMERGENCY ECONOMIC PROBLEMS

The country's emergency economic problems were not at the start within our jurisdiction. They boiled down essentially to the problem of inflation or rising prices; although the food situation, which depended on the collection and transportation of grain and the distribution of bread, continued to be basic—economically, socially, and politically—and remained administratively in an extremely precarious state.

From 1937 to February 1943, the cost of living in Persia, according to the best indexes available, had risen from the base figure of 100 to 778; that is, prices had multiplied almost eight times. Inflation had started before 1937, and the war served to accelerate the upward trend; but after the invasion and abdication prices rose rapidly. From March 1942 to February 1943 living costs more than doubled. At the time of our arrival, it looked as if inflation had reached the sky-rocketing stage.

The war of course explained in large part why inflation had gone to this length. Military demands on shipping had restricted imports; while the disorganization and disorder that followed the invasion and abdication reduced production within the country, caused a loss of popular confidence in the currency, encouraged hoarding, and created a demand for real estate as a secure form of property. These conditions decreased the *supply* of goods; while other factors stimulated *demand*. The financial agreements with the Allies, which required the Iranian government to provide local currency in return for foreign exchange, occasioned a considerable expansion of the note circulation. At the peak of the Allies' requirements, they may have taken as much as six million dollars a month. The budgetary deficit and the government's borrowings from the National Bank also operated substantially to increase purchasing power. All of these factors provided fuel for the speculative fever which had first appeared in the Pahlevi period. Hoarding,



قانون انتخابات دکتر میلندو افران حمله به بورس سیاه !!



اگر دستهای نیرومند پس بر ده بازاری فرمانده کل را بگیرند بورس شکسته خواهد شد والا...!

THE AMERICAN MISSION ATTACKS THE BLACK MARKET

speculation, and profiteering undoubtedly accounted for a considerable part of the rise in prices. Rumors were going around of goods changing hands dozens of times without being offered for public sale, of fantastic profits, sudden incalculable riches, and the rapid turnover of real estate.

As a matter of fact the currency was sound, being covered 100 per cent by gold, silver, crown jewels, and foreign exchange; but, as I have already said in another chapter, the government had completely failed in its efforts to curb hoarding and speculation and to stabilize prices, while the goods that were supposed to be rationed and sold at fixed prices found their way for the most part into the black market. With respect to transportation, which was almost exclusively under Allied control, lack of facilities or of administrative supervision held up the distribution of goods within the country and put a high premium on freight car and truck space. Merchants bribed heavily to get their goods moved, and this form of corruption added another considerable item to prices.

These various sets of problems—the administrative (centered in the government personnel), the financial (expressed in deficits and borrowing), and the emergency economic (exemplified by inflation)—were intermeshed and interdependent.*

Inflation created the most urgent and most dangerous situation. Many urged immediate action upon me—the Prime Minister, the Minister of Finance, Sheridan, members of the Mission and of the American Legation. Along with the newspapers, all seemed to feel that I could not in any case avoid

*In a letter to the American Ambassador dated August 25, 1944, I endeavored to make clear to him the kind of job that we were grappling with; and I said:

"Measured by its scope and content, the task of the present American Mission is incomparably vaster and more difficult [than that of the previous one]. We are called upon to deal, not with temporary embarrassment caused by war devastation and the dislocation or stoppage of normal procedures, but with a Government and a country that have suffered radical alterations and perversions at the very foundation of financial, economic and social life. We are asked, while still in the midst of a war emergency, to pick up where autocracy left off, an autocracy that was as ruthless as it was ignorant and that worked its distracted and wasteful whims for fifteen years with amazing thoroughness on a prostrate and plastic people."

responsibility. Some urged me to take sweeping dictatorial powers over agriculture, industry, and trade; and no doubt at that time any authority that I asked for would have been given me. To undertake the control of commodity prices would enlarge our responsibilities far beyond those contemplated in the law of my engagement, involve us in complex operations of extreme difficulty, and bring us face to face with formidable political hazards. The easy course would have been to refuse these responsibilities. It was clear, however, that the Persians could not direct these economic operations, except with fatal consequences. The industrial and commercial activities conducted by the Ministries of Agriculture and of Commerce and Industries remained in a slough of incompetency and corruption.

It was evident, furthermore, that if we intended to undertake seriously our financial task, we would have to tackle the job of price stabilization. Had we not done so, it would have been wise to pack up at once and return to the United States, leaving Persia to the chaos and revolution which then seemed imminent or to whatever remedial measures the Allies deemed necessary. Since our mandate from the State Department was to put stiffening into the government and help the Allies to avoid expensive diversions, I felt that we should stay and do the best we could. It then became a matter of quick planning of ways and means.

LONG-RANGE PLANS

The economic emergency and the financial situation prohibited any expansion of construction projects or new expenditure plans. In any event we required time to survey economic and social needs and to inventory the materials already in the country; but we could not well overlook the fact that we had come to Persia, as previous missions had, to help in the development and progress of the country.

A few months after our arrival, I took occasion to discuss at some length the government's long-run program, so far as it could be expressed and implemented by the budget. The gov-

ernment, it was suggested, has to consider what it wants: "a backward country, with a poverty-stricken and ignorant population, exploited by politicians and profiteers, or a progressive nation, united and self-respecting, with a constantly and generally rising standard of living, and with a Government dedicated to the giving of service to the masses of its people." Assuming what the choice must be, I then pointed out that the goal could be reached through "a sound, far-sighted and co-ordinated program of agricultural development, public education, and public health." Since the Army was then demanding a more than 50 per cent increase in its budget, I took occasion to refer to the question of security and the related matter of tribal unrest, expressing my opinion that the tribes had just grievances which ought to be removed and that "the tribal problem and the resulting problem of security required peaceful handling."¹

Security depended on justice; and our job of administering the public domains and ceded properties involved us in the problem of land titles and particularly in the task of rectifying the wrongs that had resulted from the land-grabbing obsession of the ex-Shah. People with alleged grievances in this connection presented some 9,000 petitions up to November 21, 1943.

RECRUITMENT AND MORALE OF THE MISSION

Conditions in Persia and the job that circumstances compelled us to undertake called for a much larger mission than had been originally authorized. After long delay, the Majlis enacted a law permitting the Minister of Finance and me to engage, without further reference to the Parliament, up to sixty Americans. In view of the qualities and attitudes of the Persian civil servants, much of our success or failure depended on the personnel of the Mission; and whatever credit may have been earned by our two years of struggle and progress should go largely to my loyal, competent, and hard-working associates.

¹ Monthly Report of the Administrator General of the Finances (hereafter referred to as *Report*), Oct. 24-Nov. 22, 1943, pp. 3-7.

Yet, from various angles and for various reasons, the development of the Mission presented for many months a most difficult problem; and the shapes that this problem took diminished our prestige, slowed up our progress, and contributed in some measure to the eventual debacle.

Recruiting Americans for the Mission presented peculiar difficulties. In the United States one who builds an organization works in physical proximity to the employment market; he can personally interview applicants and make sure that the ones selected understand and fit the specifications of their positions. In Persia, 10,000 miles lay between the American employment market and our urgent need. I had been told at the Office of Near Eastern Affairs that the Department of State wished to pass on the "acceptability" of members of the Mission; and I now requested the Department's officials to help in the recruitment of competent men. This they endeavored to do; but up to October 8, 1943, only four new men arrived and two of these went back immediately on account of ill health. We waited a full year for a man to fill one of the most important and critical posts. James G. Robinson, one of the original members of the Mission, returned to the United States in the fall of 1943 on account of ill health; he generously took over the work of selection and speedily dispatched a number of recruits. By April 1944, 51 men and 1 woman had joined my staff. Of these, 37 had been selected by me or by my senior associates; and of these we had found 19 in Persia, Cairo, North Africa, or Latin America. Subsequently 17 more men arrived. In the meantime 22 separations had occurred. At the end, in February 1945, the Mission numbered 46 men plus the 1 woman.*

It was difficult to find men who combined suitability with availability. In a time of world war, Persia had no especially exotic appeal. Had we been recruiting a staff for research or advisory work, the task probably would have been easier;

*The members of the Mission at the time of its greatest strength are listed in App. E, pp. 281-82.

but we were seeking executives and administrators. To most of the younger men, the draft introduced an element of uncertainty. Many of the qualified older men preferred employment in the expanding organizations at home. The high salaries that we offered lost their attractiveness when compared with the cost of living in Persia. Men already well started in governmental or business administration disliked to break their connections, interrupt their careers, and exchange security of tenure for a job of unpredictable duration. Finally, many prospects, especially the married men, objected to separation from their families for an uncertain period. To make matters worse, the urgency of our need precluded thorough investigation on our part or on the part of the candidates.

In view of these difficulties, it was especially unfortunate that the Department of State should have failed to make adequate provision for carrying out the responsibilities that it had assumed in connection with the personnel of the Mission. This failure accounted in considerable measure for our short-handedness in important fields at critical times, for the slowness with which we got our operations under way, and, in the beginning, for the low morale of the Mission, which further handicapped us.

Most of the men engaged outside of Persia made the trip by the Army Air Transport Service planes. Due to the priority usually given military personnel, some of our men waited weeks before leaving the United States; and several made compulsory stops for days or even weeks in Cairo. The limitation on luggage permitted the bringing of only the bare minimum of personal effects. Trunks arrived several weeks later, in some cases with a part or all of the contents stolen, presumably by Persian customs employees.*

Landing in Teheran, a recruit faced the problem of adjust-

* One member of the Mission, receiving and opening his trunk with the customary joy, found to his dismay that nothing of any value had been left in it. After my departure from Persia, a fire at the southern port of entry destroyed a number of trunks and boxes consigned to members of the Mission.

ment to the country and to his job. Of the forty men who were selected in the United States after the engagement of the first group, only four had previously worked in a foreign country. First-hand experience is the most informative, so it is not surprising that many of our new members should have been relatively ignorant of the living and working conditions which they were to encounter in Persia. Americans in general are adjusted technically and temperamentally to jobs in America; these jobs are of almost infinite variety, and most of them are specialized positions in which a capable man after more or less experimentation can find the type of work suited to his tastes and aptitudes. In Persia, our jobs were comparatively few in number; they were for the most part generalized and supervisory, "top" executive jobs.

In our setup it was essential that each man, if he were to achieve his greatest usefulness, should comprehend the powers and duties of our organization, should understand its principles, and should be willing to accept a transfer from one position to another, as his own qualifications and our administrative needs might require. We discovered, however, that men came with the vaguest ideas on these points, with mental reservations, or with contrary intentions.

Most of the men accepted as a matter of course the challenging difficulties under which they had to work—demoralization, dishonesty, obstruction, and intrigue among the Persians, the use of the two languages, insufficient office equipment, lack of stenographic assistance, and the almost insufferable delays in getting things done. The magnitude and complexity of the Mission's task, together with the attacks and criticisms that were aimed at us, bewildered many at the start, confused some, and shook the confidence of a few.

Discontent appeared over inequities in the salary scale. Men had been engaged at salaries which under the test of actual performance proved to be too high or too low when compared with the position occupied or the ability demonstrated. Fortunately, the sixty-man law permitted adjustments of com-

pensation, and in several instances the Minister and I made such adjustments, with resulting benefit to the morale of the Mission.

At the start, most of the men were strangers to one another, as well as to me; but, as time went on, mutual acquaintanceship contributed to smoother relations. In making new selections, moreover, we followed so far as possible the recommendations of the American directors. Our operational duties aggravated and revealed the symptoms of the Mission's heterogeneity. As executives of co-operating and co-ordinated agencies, the American directors depended on one another for routine authorizations, facilities, and assistance. In view of the pressure under which we worked, it is not surprising that friction appeared; but, as we untied our organizational and procedural knots and set up coordinating mechanisms, the men of the Mission worked together more efficiently and with better feeling.

Living conditions likewise seriously affected the morale, unity, and effectiveness of the Mission. Three or four men had their families with them. For most of the Mission, however, it was a matter of maintaining two homes, one in America and one in Teheran. Our engagement contracts obliged the government to provide each member of the Mission with a furnished residence or, at his option, to pay an allowance equal to 20 per cent of his salary. In crowded Teheran, however, vacant houses were scarce, rents fantastically high, and prices of furniture well-nigh prohibitive. A number of men arranged for group occupancy; but a majority lived for longer or shorter periods at hotels and in apartments. Such conditions made real home life unattainable and frequent entertaining impracticable. Persian officials, for their part, probably desired to receive us in their homes more often than they did; but the high cost of living discouraged the exercise of their proverbial hospitality. So the Mission as a whole stood socially too much apart from the people with whom and for whom it worked, while its members tended to break up into cliques or to form attachments with British and Americans outside the Mission

The American Army, encamped at Amirabad on the outskirts of Teheran, added to our staff difficulties while giving help. The adverse effect, as I see it, came not from any conscious attitude or action but from the presence of the Army, which was *in* the country but not *of* it, as we were supposed to be. Thus the Army exerted a distracting and separating influence both on Persians and on the men of the Mission. On the other hand, we had from the beginning permission to eat at the officers' mess; and the even more valuable right to avail ourselves of the excellent clinical, medical, and hospital facilities of the Army. Later, after we had presented the Mission's needs to the State Department, through the Legation, we obtained the privilege of using the Army post office and the post exchange. Unfortunately, early in 1944 the War Department withdrew the privilege of medical attention and hospitalization.

This latter privilege had appeared indispensable to the welfare and morale of the Mission in view of the health hazards of Persia. The intestinal parasites and microbes that abound in the uncleanness of the country appear to be mobilized for the prompt infestation of newly arrived foreigners, especially Americans. Most of the newcomers started with a two or three days' attack of "Teheran tummy." Probably a majority suffered later on from bacillary dysentery. A lesser but still considerable number contracted the more serious and stubborn amoebic dysentery. This last-named disease put me twice in the hospital for a total period of some seven weeks; and during the second sojourn my secretary, afflicted with jaundice, occupied an adjoining room. In this emergency, my son filled in as secretary, took papers and messages to and fro, and ably served as my eyes and ears outside the hospital. With his help and that of Assad, my capable Persian secretary, I was able to handle most of my paper work and held several conferences daily. The unlucky side of it was not so much the sickness as the fact that I was known to be in the hospital; and our newspaper critics for several months made capital of the idea that I was "old and ailing."

The state of Robinson's health compelled him to submit his resignation and left me no choice but to accept it. Other members of the Mission spent more or less time in hospitals. Here are some illustrations of the ill luck that dogged the personnel of the Mission. The State Department at my request obtained the loan of an officer then on desk duty in Washington to help us with grain-collection, at a time when the situation looked ominous and we desperately needed more man power. For some years he had had a slight heart murmur; but the Persian altitude brought on palpitations, and he returned immediately to the United States. Another well-qualified recruit after three weeks' work went back to the United States with a diagnosis of high blood pressure. An able and popular member of the Mission contracted dysentery with complications, before he had been assigned to his position, and had to return to the United States, apparently to be incapacitated for several months. Another man after several weeks of dysentery developed heart disease. He obtained admission to a British nursing home, and was advised by the British doctor who attended him to go to a lower altitude, which meant not to stay in Persia.¹⁹

After the first of these near tragedies, I requested the State Department to require all applicants for positions to take medical examinations and submit certificates of physical fitness.

Insecurity and violence in Persia presented additional hazards. Thugs attacked one of the Mission as he walked along a Teheran street at night. One of our American provincial directors told me that he had been shot at three times. Another, riding with his wife and two children, was attacked by bandits. A number of our Persian finance employees were murdered. Several of us had experiences with mobs; and some received letters threatening assassination. These could not be taken too lightly, in view of the knife-throwers and cutthroats that the police had taken into uncertain custody.

¹⁹ One mishap had a not too serious side. We had obtained the loan of an American to carry on temporarily the work of the Pharmaceutical Institute. Three or four days after he had taken over, he fell into one of Teheran's curb-side water canals and broke his arm.

Physical danger had no perceptible effect on any member of the Mission; but the health hazard evidently contributed to at least one case of nerves. In a few instances adjustment to the job meant actual psychiatric adjustment. One otherwise well-qualified man confessed frankly to his American senior and to me that he could "get along" all right in the United States but he guessed that he just couldn't stand the strain of work in Persia.

From the beginning the propagandizing newspapers of Teheran directed attacks against members of my staff. Sometimes they condemned indiscriminately all Americans, including those in other ministries; sometimes it was our Mission alone and as a whole that came under this barrage of disparagement; more often the editors singled out individual men of the Mission who for one reason or another appeared vulnerable. Certain newspapers, it must be said in fairness, printed criticisms and rumors either as juicy news or as mere sensationalism; while two or three editors thought that they could help me by publicly exposing the shortcomings of my staff. In the newspapers and by word of mouth Persians charged us with replacing good Persians with poor Americans. My American colleagues had surrounded themselves, it was commonly reported, with dishonest and disloyal Persian helpers. Some of the newspaper writers declared that the Americans had done nothing to earn their "fat" salaries. Four or five of my colleagues were accused of taking bribes. One man, employed for a few months, had once been a cook, so our critics, including some of the deputies, indiscriminately dubbed my associates "cooks," "stable boys," "boot-blacks," "barbers," or "drug sellers." The papers informed their readers that Americans were spending their time and money at night clubs; and many articles concerned alleged American involvements with lady stenographers and prostitutes.

Newspaper clamor alone never affected my attitude toward a member of the Mission, for as often as not public attack meant that a man had been doing his duty; but unfortunately the propaganda against us could be attributed in part to real deficiencies in the Mission itself.

It was my view and the American Minister's that the Mission had no excuse for being in Persia except to do the job that had been entrusted to it. To be sure, we might and could serve a political end for the United States or for Persia or for both; but only if we did our job. Nor was it a purpose of the Mission to provide soft berths or political springboards for Americans. Consequently, it was my responsibility to make our executive organization an effective one; and to this end I proposed to eliminate from the Mission those who were not adjusted to its requirements. With regard to the 22 separations from the Mission, a majority left on account of illness or for business or family reasons and, in a few cases, because they had been temporarily employed in the first place. About a half dozen were either recommended for dismissal by their American chief or left at my direct or indirect request. With the exception of one who resigned on account of illness and those who left when the Mission collapsed in February 1945, all of the separations that I have mentioned involved men who had been employed during our first year, when means of recruitment were least adequate and when conditions in Persia were most chaotic. In 1944 the Mission had noticeably improved in spirit and in efficiency and the weeding-out process undoubtedly contributed to the improvement.

The members of the Mission, at this advanced stage of its development, ranged in age from 25 to 65, and represented a variety of personalities, types, and capabilities. None of us could boast perfection and we all made mistakes; but I think each of us could find some consolation for his shortcomings in the thought that no human being could fully match the range and complexity of our task, at least not under the pressures and the time limitations applied to us. From this point of view our diversity offered an advantage: the qualities of one could make up for the deficiencies of others. The staff as a whole revealed under most difficult conditions a reasonably high average of ability, and some of its members showed outstanding administrative capacity. The Mission in my opinion con-

stituted a practical, hard-working, and on the whole an effective group. Most of its members kept their heads, preserved their cheerfulness, and stuck steadily to their tasks, taking the sensible view that if each did the job assigned to him the Mission's task would be accomplished. In spite of this individual dedication, the men showed more and more an encouraging and helpful concern for the strength and prestige of the group. At the moment of its collapse, the Mission was at its best.

CHAPTER VI

MINDS, MORALS, AND MISGOVERNMENT

Primarily it was Persian conditions that shaped the course and determined the fate of the third American Financial Mission. These conditions also supply the direct and, I think, the decisive elements in the international problem presented by Persia. In the internal situation, psychological and moral factors are crucial; but these are not to be viewed as separate from the political. The mind and character of the people determine the main features of their political life and the course of their political evolution, while their government, or misgovernment, reflects the general mental development and the emotional drives of the people.

No attempt will be made in this chapter to describe all characteristics of the Persian people. The discussion will be confined to those aspects of personality that appear politically significant. Political significance depends of course on what one accepts as Persia's desirable or necessary political goal. If it is considered desirable or necessary that the country should be governed by an absolute monarch or by a dictator, we would expect and accept different popular attitudes than if the goal and standards are those of democratic government. It is fully evident that democracy must be Persia's goal. No other form of government offers any hope of creating within the country the conditions essential to internal progress or to an eventual and durable solution of the international problem.

It is impossible, said Burke, to indict a whole people. To describe one is equally difficult. Persia, like any other country, shows marked variations among its regions, classes, groups, and individual inhabitants. To some of these, only a part or perhaps none of the following description will apply. It applies in a general way to the politically active classes and to the elements whose ideas and feelings exercise some degree of influence in the political sphere.

To understand Persia's internal political situation, it is necessary to state some unpleasant and discouraging facts; but complete realism seems indispensable. We must seek to comprehend the whole problem. We can help Persia only when we know her character, her difficulties, and her needs. We can think of a prescription only after we have made a thorough examination and diagnosis. What I say is for the most part common knowledge among competent foreign observers in Persia, and practically all of it has been said piecemeal and often in stronger terms by Persians about themselves. Their characteristics are not peculiar to them. Much the same mental, moral, and emotional conditions are found in different degrees in many countries and have probably appeared at some stage in the history of all. The traits that I shall mention are not to be viewed as racial, hereditary, or otherwise fixed and unchangeable. The causes are historical and environmental.

Physically, Persians are tough and strong, particularly the tribesmen who are the best all-round stock in the country. The Persian laborer is famed for his endurance. Yet, widespread smoking of opium generation after generation, though less conspicuously harmful than in other countries, has taken its toll; malnutrition is a long-standing and general condition; and disease—typhoid and typhus, the dysenteries, malaria, trachoma, small-pox, and syphilis—are tragically prevalent. Child labor is almost universally customary and is hardly conducive to the building of a healthy and vital people.

INTELLECTUAL CAPACITY AND EQUIPMENT

With respect to intellectual capacity, Persians are probably equal to any other people and superior to some; but Persian intelligence is limited by experience and habit and is emotionally inhibited. What passes for education is restricted very largely to memorizing, absorption, and imitation. Among the superficial evidences of modernization in the country, one notes everywhere the effects of thoughtless copying, the absence of standards, and the lack of understanding. Persians are unadjusted intellectually to modernism, as they are to the mech-

anisms of western civilization.¹ They have not yet had time to become mechanically minded, to form the habits and reflexes adapted to a machine environment. When they are patiently taught and closely supervised, they develop into excellent operators or mechanics.

The Persian is quick and agile of mind, a good conversationalist, responsive and witty, and in his more serious moments or to escape reality he turns to the reflective exercises—philosophy, poetry, and the arts. He is not a man of reason. He falls short of intellectual maturity. He generally and substantially lacks the apparatus that more advanced peoples developed to solve problems and engineer progress.² In the past, ignorance, illiteracy, and lack of enlightening contacts deprived the people of materials and opportunity for the exercise of reason; and Persia's political and social system made inquiry and straight

¹ Interesting light on the way of Persians with machines appears in the following extract from a report by an American official:

"In my own department I have observed a tendency that seems to illustrate a characteristic of the Persian people. They are curious and inquisitive and seem to have an uncontrollable desire to inspect the mechanism of every instrument that comes within their reach. One day I found several of my assistants examining one of the technical instruments. They had taken it apart and had not been able to decide what particular purpose it had been made to serve. They asked me to explain its use to them, which I did, and I also gave them a lecture regarding the treatment of instruments, the principal point of which was to leave them in their cases and avoid unnecessary handling lest they be rendered useless by maltreatment. I was appalled to find that every instrument in the storeroom was out of adjustment and had something seriously wrong because of having been inspected and handled by someone who was curious to see how it was made. In a warehouse and equipment yard in a distant province I found a large number of machines that had never been used, but parts were missing from many of these machines. Some of the parts were located in another section of the yard. They had evidently been taken off for one reason or another and had not been re-assembled before having been separated. In one case the missing part, a vital portion of the machine, was lying in the dirt, along with a pile of junk and was rendered unfit for further use because of the corrosive action of moisture, dirt, and alkali."

² A keen American, who was long in a peculiarly favorable position to observe the mentality of this people, remarked to me that Persians were "children," with a mental age of about eleven years. I am sure he did not mean to say that Persians were mentally deficient; he was referring, rather, to their undeveloped or unused reasoning faculties; and I imagine he had in mind their emotional as well as their mental age.

thinking either useless or dangerous. Moreover, the emotional defenses and drives, which I shall refer to later, exclude rationality since they are substitutes for it and incompatible with it. Absence of reasoning means an absence, too, of intellectual standards and principles, of analysis and synthesis, of discrimination and proportion, of respect for facts.

The masses of the Persian people are still largely illiterate and densely ignorant. Conscription was unsettling; it must have seemed oppressive; but it has been in some measure enlightening; and motor transport has doubtless had a stimulating effect. In certain localities, changes of crops and opportunity to work in factories may have created a new outlook and something of an awakening. Yet the process of educating the masses has hardly started and has not yet made any perceptible impression.³

The percentage of literacy has risen somewhat during the last 25 years, particularly in the cities. Teheran affords evidence of increased reading. The capital has up to a hundred periodicals, many of them short-lived. Only three or four can be counted really newspapers and no more than that number are of any editorial value. Most of the other publications that come and go are disreputable childish propaganda sheets, owned or subsidized by politicians and "influentials," and, in many instances, supported or inspired by foreign embassies. They are ready to sell themselves to those—and there are many in Persia—who desire to profit from blackmail, slander, sensationalism and indecency.⁴ It must be said, however, that,

³ To quote from the report of an exceptionally well-informed foreign observer:

"Children blossom out into a premature and often attractive maturity, but a cruel environment warps or stifles their development shortly after adolescence. Their mental growth is arrested and their fuddled minds remain open only to fairy tales or the fantastic fears and superstitions of a world of genii and spooks in which they hide from the realities of life."

⁴ The following is quoted from a report on the press, prepared by a young Persian:

"In Iran the newspaper is a *tool*, a *means* to an end, in the hands of the wealthy, the influential, the powerful. Men whose influence, wealth, and social standing are threatened, resort to it as a tool, a weapon of defense, and to their credit, let it be said, they wield it like experts. And God is great! As long as the articles, especially the editorials, are duly seasoned

while there were many more bad papers in 1943 than in 1922, and the bad ones had become worse, Persia had a few more good papers, and the good ones had become better. Among the editors were two or three who showed an extremely rare combination of intelligence, integrity, and courage. To explain or excuse the excesses of the others, it has been said that they are suffering from the effects of a sudden return to liberty of the press, which had been nonexistent under Reza Shah. Aside from the fact that it does not yet enjoy freedom,⁵ the Persian press is not an isolated institution. It is a product of its environment. It arises from and reflects the minds, morals, and misgovernment of Persia.

with a generous sprinkling of abuse hurled against the Government or any other party or institution that has done something for the public good to the disadvantage of the individual, people read the paper and consume the writings like hot cakes. . . .

"As most editors are not even decently educated, their patrons use them for their business abilities and power to ridicule. To blacken the sheets, they hire part-time hack-writers at disgracefully low fees and order these 'Fleet Street Arabs' to incorporate as many bad silly abuses as possible when penning the dictated attacks."

⁵ The Thirteenth Majlis passed a Press Law requiring owners and editors of papers to satisfy the Supreme Educational Council regarding their financial resources and educational and moral qualifications, and permitting the military governor of Teheran to suppress papers after trial. In January 1944 the military governor warned the press of various acts prohibited by law, including *Lesé-majesté*, insults to the heads of foreign states or their diplomatic representatives, publications insulting or defamatory to public officials, libel, slander, abuse, and vilification. In practice, the Supreme Educational Council seems to be easily satisfied; but the government frequently suppresses papers without trial, usually when they attack the royal family or incur the displeasure of a foreign embassy. When the papers misrepresent or slander someone whom the Prime Minister or a group of deputies dislike, the government as a rule takes no action, construing "freedom of the press" like other conceptions from a strictly political or personal point of view.

In February 1945, the government announced through the military governor a new and more general basis of action against the press, stating that any paper that obstructed the following three aims of the government would be immediately suppressed: (1) protection and encouragement of good relations with the Allies and prevention of any misunderstanding; (2) preservation of the prestige and dignity of Persian official authorities and prevention of anything offensive to such authorities; and (3) preservation of security and prevention of disturbances of the peace.

TRAITS AND HABITS

Out of historical experience and environmental conditions, the Persian emerged with certain marked traits and habits. Historically, the main influences came from insecurity, despotic government, and lack of change. From the point of view of environment, the Persian lived in or upon an agricultural economy which remained practically stationary, in methods primitive, in organization medieval and feudalistic, with its units of cultivation isolated from one another, and in large part or for much of the time close to the margin of subsistence.

Thus, the Persian became conspicuously individualistic, with mind centered on his own precarious living and scarcely conscious of any larger community except to distrust and fear it. His personal sociability and his attractive hospitality emphasize rather than qualify his essential individualism. His tendency toward association and co-operation with his fellows is strictly limited; and he lacks almost entirely any organizing skill, as well as ability to lead or to follow. Nevertheless, the family and the tribe hold Persians together with strong bonds, while village agriculture and village life represent primitive and local forms of community organization and co-operation. Moreover, the merchants of the towns and cities have for ages constituted a fairly well-defined and self-conscious interest-group. During recent years, the tendency toward associated effort has increased. Chambers of commerce have become fairly strong pressure groups, while professional and other organizations have increased in number. Nevertheless, latent or active factionalism and the play of individual self-interest characterize most of the existing associations.

Socially and economically the country is one of extremes. Wealth, like its accompanying political power, is concentrated in a few, while the mass of the population is sunk in a uniform and squalid poverty. Three relatively small but practically new social classes have recently appeared: the industrial workers, laborers employed by the Allied armies, and what may be called the floating population of the cities, particularly Teheran.

Some of these classes may return to the land; but unless or until they do, they will form an unstable element, offering fertile ground for agitators, preachers of class-consciousness and communism, and large-scale intriguers.

Reza Shah decreed the emancipation of women and compelled a quite general removal of the veil. Women are admitted to social life, to the University, and to government offices. Nevertheless, the sexes are by no means treated as equal and a gradual return to the veil is now noticeable.

Persia has not developed the basic essentials of democratic nationalism. The country is not a community of feeling or of undivided loyalties. The tribes are unassimilated, armed, and rebellious. Everywhere among the common people one can find distrust and hatred of government officials. Still a country of minorities and classes, Persia has not yet acquired the habit of toleration. Only a few Persians exhibit anything that resembles genuine national patriotism or love of country. Few see or feel their country as a whole or the people as one people.

In the strictly political sphere no party system or party division such as that which dominates American and British politics, has ever evolved in Persia. The deputies of the Parliament join in groups and factions, but these are numerous and ordinarily begin to dissolve about as soon as they are formed. Something of a party division, but one with paralyzing effects and sinister implications, began to take form after the Allied occupation. The *Toodeh* or Masses Party, inspired by the Russians and apparently subsidized and directed by them, preached revolutionary communism, gained a considerable following in the North, conducted agitations among the industrial laborers, and cultivated confusion in the Majlis. In opposition to the *Toodeh*, Seyed Zia Din, a returned exile, formed something of a group, pro-British and anti-Russian, linked to the merchants and capitalists. His movement tended toward Fascism; and neither of these parties, if such they may be called, revealed much attachment to democracy and both inclined consciously or unconsciously to dictatorship. Both, like

Persian political factionalism in general, were twisted by the British-Russian question out of any effective relation to domestic problems.

One mental outlook that we associate with democracy seems to be almost totally lacking in Persia; namely, the conception of the dignity and worth of the individual human being. Humanitarianism has not yet become an appreciable force, and social consciousness is necessarily weak, though private charitable undertakings are becoming more evident.⁶ Ownership of property helps to inculcate a sense of individual independence, while earning social respect for the individual personality. Yet Persia tends strongly toward totalitarianism, while the masses of the people possess little except their few personal belongings and live only slightly better than animals in cave-like hovels and in the midst of incredible squalor. Give a peasant power, and he proves as predatory as the landlord, and gets his gain, not from those above him but from those who were once his fellows. As a young landlord remarked to me: "It makes me think of fish—the bigger eating the smaller."

Perhaps because their environment practically stood still, perhaps because of the fatalism of their religion, perhaps because of their patient endurance, Persians either lost or never acquired the common awareness of today, and very largely they came to ignore time, its value, and its relation to action. Procrastination became one of the most conspicuous of the popular habits. But in this connection, exceptions and differences have appeared. In the old Persia, inaction was, in the lower classes, a means of defense and, in the upper classes, it was usually to the benefit of private interests, which were then largely vested interests; but in the new Persia—or rather the new Teheran—of merchants and speculators and quick riches, action usually serves private interests better than inaction. Now, the Persian is as likely to be too hasty as too slow. He tends

⁶ Persian rulers and satraps late in the nineteenth century indulged in torture and in cruel and inhuman punishments, and in this respect Reza Shah proved no exception. During my first Mission, someone gave me a photograph of a man buried alive up to his chin.

to lose his ancient passiveness, though this supposedly oriental quality was always accompanied by an amazing changeability on the surface. The Persian's impatience is often simulated, and in many cases it comes from ignorance, inexperience, or unreasonableness. He expects quick results, even miracles, because he is unable to measure the time required for an undertaking or understand the steps involved in it. Thus, it is difficult if not impossible at present to see any logical relation of the Persian's action or inaction either to dynamic stability or to progressive change.

In a regime of arbitrary personal rule, of oppression, insecurity, and suspicion, falsification became a means of protection and a matter of habit. Absence of laws, of impartial judicial standards, and of personal and property guarantees, as well as the ever-present threat of pillage and extortion, compelled men to resort, as a matter of ordinary practice, to subterfuge and dishonesty. The rules of the game required and rewarded trickery. The clever crook and the plausible charlatan lost nothing in popular estimation or moral standing, provided they "got away with it." Necessarily, too, in this regime of personal authority, personal caprice, and personal insecurity, men had to learn well the way to win favor and climb over others. Thus developed an all-pervading courtesy, rendered less attractive by the servility that often accompanied it, fluent flattery, expert bribe-giving and bribe-taking, subtle intrigue, and artful evasion. Sensitiveness and pride grew to an acute point. That intangible thing, called prestige or "face", became everywhere except at the hopeless bottom of society the most sought and most valued personal possession. Prestige reflected a complex of acquisitions—power, position, rank, title, dignity, success, and reputation, frequently age and wisdom, sometimes wealth. Prestige meant both self-respect and the respect of others.

EMOTIONS

Out of the remote past of insecurity, oppression, and poverty—if he were one of the masses—or of insecurity and personal

caprice—if he were one of the privileged few—the Persian appears today with a personality well adapted to his past environment but for the present and the future largely an anachronism. With respect to its psychological effect, Persia's recent past is not much different from the more distant period. During the 40 years since 1906, government in Persia has been weak or practically nonexistent more than half the time and more or less corrupt all of the time. Only during the time of the second American Mission had the country enjoyed a combination of strong government with comparative honesty and comparative justice. Reza Shah kept order for 20 years; but during 15 of them the people lived, as they had for much of the time prior to 1906 under the immense influence of the injustice, corruption, and tyranny of oriental autocracy. Except for the twenty-year period, foreign interferences and armed interventions continued. Thus, the course of events after 1906 was in essentials and in effect a repetition of previous history. The chief differences were that in 1906 the Revolution and the constitution had given the people a hope which unfortunately has not been realized; and since 1906 Persia has felt in increasing measure the unsettling impact of modernity. In 1941 the Persians suffered a triple visitation—foreign occupation, governmental collapse, and inflation. These came at the end of a fifteen-year period during which national and personal egotisms and illusions of achievement had been steadily nurtured in the midst of terror.

Out of their long history and their more recent vicissitudes, Persians have taken on certain emotional characteristics associated with feelings of inferiority and insecurity, accompanied by compensatory and defensive urges, and complicated by shock and demoralization. The Persian of today exhibits a quite definite pattern of feelings and behavior, very different from the emotional makeup of the westerner, certainly vastly different from his makeup when he was pioneering economically and developing the institutions of free government.

Moved by feelings of inferiority and insecurity, Persians

through the years have sought protection. This desire, which has been expressed from time to time in the form of public policy, has carried a good deal of rationalization and symbolism. One may guess that this still primitive people have unconsciously yearned for a Great Father, in the form of a dictatorial Persian or a benevolent American, who would extend protection and work miracles to the vicarious satisfaction of the Persians and without calling for initiative or courage on their part.

Basically insecure, Persians have sought and are still seeking escape from reality. One who met them after the abdication of Reza Shah could not avoid the conviction that those of the so-called governing classes—politicians, deputies, and civil servants—desired neither to face facts nor to take responsibility. Certain aspects of Reza's reign, in his own mind and in the minds of his people, had constituted a vast illusion, and, after his fall, they wished to go on with the same dream or create a substitute. It was quite evident that liars were not objected to; but we were soon led to a more amazing observation, that people who were not habitual or professional liars themselves actually seemed to prefer lies to the truth and gave more value and currency to falsehoods than to facts.

While Reza's power and achievements had nourished the national ego, his thoroughgoing, driving paternalism left his people, in the larger social and political matters where he had dictated, helpless, aimless, and irresponsible. Evidence also appeared, abundant and pitifully convincing, that the ex-Shah's terror, operating on a timid and sensitive people, had shaken nerves and unbalanced minds. Moreover, he let loose a spirit of violence that lent sinister implications to the mercurial temperament of the people, the disunity of the country, and the disorganization and weakness of the government.

One hears much of a growing or intensified nationalistic feeling in Persia. As I have previously pointed out, the basis and ingredients of such a feeling do not exist among the people, except in the case of a comparatively few individuals, who are

not likely to do much talking about their nationalistic feeling. Where the basis and ingredients do not exist, one can suspect that the phenomenon is spurious, or that there may be a good deal of talk without genuine feeling. Reza Shah was rabidly and sincerely nationalistic. The Persians who, since his abdication, have been the most passionate in proclaiming their nationalistic sentiments appear to me to distribute themselves generally in four classes. First, those who have not yet broken the spell of the dictator. Second, those who are compensating for an inferiority complex or simply whistling to keep up their courage. Third, those who are thoroughly selfish, unpatriotic, and hypocritical, mainly concerned with covering their own tracks. Fourth, those who use this slogan to whip other members of the herd into line.

PUBLIC MORALITY

The Persian government has always ranked as one of the most corrupt in the world. It appears to me much more corrupt than it was in 1922.

To be sure, no country is free of dishonesty. We have our share of it in the United States, and at times we have seemingly tolerated large-scale graft; but never, as in Persia, has a predominant part of our society been involved in corruption or has the weight of the main social, economic, and political forces been thrown to the side of crookedness. In the Persian government of 1943, dishonesty had become almost universal and practically a matter of routine. Merchants, landlords, and all who had dealings with the government suffered from it, but they had come to accept it, to accommodate themselves to it, and thus to encourage it. Employees exacted bribes for the doing of anything that benefited anyone else; and they conveniently lost files when bribes were not forthcoming. They stole goods and money, bargained with landlords over grain collections, used the income tax as a highwayman uses his bludgeon, sold monopoly goods into the black market, and stripped government automobiles of tires and parts. In high places ministers profited from the privileges that they signed away and from

the tangible things that they sold or distributed. In the Army it is said that as salary payments went down through the hierarchy, each officer took his "cut" and the private got about half of what he was entitled to. In general, the lower paid tribute to the higher, the weaker to the stronger.

A portion of this corruption had much the same causes as parallel evils in the West. A part might be traceable to ancient wrongs, misgovernment, and insecurity and the exploitative habit that accompanied them. The greater part, however, was chargeable to the Pahlevi tyranny and the subsequent disorder and inflation. The men who were now engaged in comprehensive robbery were mostly those who had learned their lesson from the ex-Shah, taken part in his commercial operations, or served as his accomplices. Inflation in turn had stimulated speculation, which tended to blur the distinction between honest and dishonest trade. Moreover, rising prices reduced the purchasing power of the salaries of government employees so that many, perhaps most, had no choice but to starve or steal.

The corrupt, the greedy, and the selfish exploited the deterioration and demoralization in the governing class. Merchants, become profiteers and incredibly blind to their own long-run interests, joined with those who were making the most of confusion and thus promoted it.

Worst of all, the community, including most of those who are personally honest, has no activating standards of public morality and shows no righteous indignation on the subject. Too frequently, they hold known crooks in good repute and condone their misdeeds. No organized movement against graft takes form; few of those accused are prosecuted; and fewer are convicted and punished. The big thieves almost invariably escape and the known crook can continue in politics or administration with slight loss of prestige. Little if anything stands opposed to moral degeneration, neither popular customs, judicial integrity, a public-spirited press, nor an idealistic leadership. Without much exaggeration we can say that the Persian government is a government of the corrupt, by

the corrupt, and for the corrupt. In the Land of the Lion and the Sun, it is the honest man who has heavy odds against him.

THE ANATOMY OF MISGOVERNMENT

The Parliament or Majlis is a single-chambered legislature of 136 members elected by districts every two years. Deputies are not required to live in their districts and a considerable proportion of them are residents of Teheran.

Elections are controlled and purchased. In addition they are carried on with ridiculous inefficiency. The pollings take place on different dates in different districts. The election of the Fourteenth Majlis in 1943 dragged on through more than eight months, and it is not clear that it was ever completed.

What public opinion there is is fairly accurately typified by the press and in any case represents only a small fraction of the population. Political parties, to the extent that they may be said to exist, serve to divert and confuse opinion rather than to clarify and focus it.

The dictatorship destroyed both leaders and capacity for leadership. It was as if Reza had followed the advice given to the Greek dictator, to go through the grain-field and lop off all the heads that rose above the rest. No new men of capacity and courage, with possibly one or two exceptions, have appeared on the scene. For political leadership, Persia is now using the vestiges of what it had twenty years ago, and it did not have much then. No country could be closer to political bankruptcy.

The Thirteenth Majlis was in session when I returned to Persia. This body and its successor contrasted markedly with the parliaments that I had known twenty years before. At that time the membership consisted largely of landlords who though generally selfish and reactionary so far as their own privileges were concerned, entertained a rather wholesome distrust of government, and, since they then paid taxes, a real desire for economy and honesty in administration. During the intervening years, Reza Shah had put into the assembly some of the worst of his self-seeking accomplices; and, with the entrance

of government into business and the general emphasis on industry and commerce, new merchants and so-called capitalists had found their way into Parliament. In the meantime the surviving members of the landed families had succumbed to the lure of profits and had acquired businesses of their own as well as participation in the government's monopolies and exploitative enterprises. Leaving no real law-making power to those whom he favored with appointments to the Parliament, the ex-Shah had permitted them not only to share in his economic manipulations and plunderings, but also to interfere in the administrations, to entrench their relatives and friends in government jobs, and to build up personal and corrupt "machines" in the provinces. Moreover, since the burden of taxation had been largely shifted to the backs of the poor, the deputies had little to lose and in many cases much to gain from the government's investments and subsidies, as well as from its waste and extravagance. Members of the Majlis, freed of dictation, seemed to view their law-making duties with childish or cynical irresponsibility. This assembly was presided over by a dignitary more than ninety years of age.

The Fourteenth Majlis, elected in the fall of 1943, was even worse. In this body procedure and debate rapidly deteriorated. The assembly surrendered to its disorderly elements, and, more and more frequently acting the mob, it naturally drew to itself mob pressure from the outside. On March 6, 1945, Dr. Mosadegh rising to the floor called the Parliament a "den of thieves." Two months later he declared, "This is a den of thieves, and now I am going to prove it to the hilt!"¹ These statements were made by one of the leading deputies, who would have been made Prime Minister in the fall of 1944 if he had not laid down unconstitutional conditions for his acceptance. It may be added that he did not follow through with his proofs, doubtless because on second thought he decided that it would be needless to prove the obvious. The Toodeh Party had only a few representatives in the Majlis; but they made up in noise

¹ *Majlis Proceedings*, Mar. 6, May 17, 1945.

what they lacked in numbers and aimed evidently to promote confusion and to paralyze action. They and others who gathered around them succeeded in pretty thoroughly intimidating the rest of the membership.

Parliamentary disorganization, irresponsibility, incompetency, and emotionalism contributed to the weakness, instability, and timidity of cabinets. Yet the deputies redoubled their interferences in administrative affairs and their pressure for favors and jobs.^a

Cabinet responsibility to such a Parliament meant governmental instability. During the two years of the Financial Mission, 1943 and 1944, we worked under four prime ministers and seven ministers of finance, to say nothing of two or three extended interregnums when we had no minister. A cabinet usually fell when it had exhausted its power to supply the deputies with personal favors, patronage, and "pork." So far as I could see, a government never fell on a question of policy or principle, except perhaps at those times when it had incurred the determined displeasure of the Soviet Embassy. No prime minister ever had behind him a united disciplined majority with principles and a program. A prime minister formed his majority out of a combination of shifting groups and independent members and by letting the groups and members name the ministers. In consequence, the cabinets, like the Majlis itself, fell into dissension. Under the circumstances, political safety for a prime minister lay in doing as little as possible, shifting

^a One of the newspapers suggested that the country needed only a very small but efficient Ministry of Foreign Affairs and the Office of the Administrator General of the Finances. "All other ministries should be abolished and their work assigned to the deputies, who are in fact doing it now indirectly through their secretaries, the Ministers." (*Kaihan*, No. 525, Nov. 14, 1944.) Mr. Bayat, somewhat bitter when he left the prime-ministership in April 1945, threatened to state publicly the misdoings of the deputies, but he contented himself with the following: "I confess that it is not an easy thing to obtain and keep a fixed, permanent majority of the Majlis. It is indeed very difficult for a man of principle to see to and answer Yes to all the demands made by the deputies, that is, private illegal demands. These demands seldom conform to the interests of the State."

responsibility for unpleasant actions so far as possible, and offending as few as possible."

Whatever form government takes, it must, to win the chance of survival, justify itself by administrative efficiency and honesty and by public service. Persia's bureaucracy may not be as incompetent as the Parliament and the political system; but the administration and the civil service have made little headway toward developing those features that give strength and stability to parliamentary government. Persian administration is at present the plaything of politics and the tool of racketeers.

A would-be popular government in its early infancy, such as this one, should have confined itself to the simplest tasks. Persia on the contrary has insisted not only on extreme centralization of authority but also on the assumption of complicated industrial and commercial responsibilities that would stagger any mature and strong government which attempted to be free at the same time.

Instability of Majlis and government and the weakness of cabinets produced serious effects on the ministries and the administration. Far from confining their interests and activities to the political game or to high policy, the ministers felt that they must take direct charge of the organization, personnel, and operations of their ministries. None had had opportunity to learn the art of administration or to gain experience in it. Nevertheless, most of the ministers launched ambitious half-baked plans which their successors discarded. All ministers, with rare exceptions, devoted themselves to finding jobs for their relatives and friends and for the relatives and friends of the deputies. Occasionally, a good minister, favored by luck,

⁹ Prime Minister Sa'ed, answering criticisms of the press, explained to the Majlis what his government had done during its first five months in office: "The first month had been taken up with discussions of the Government's program; the second by the interpellation on Reza Afshar (who had been appointed Governor of Isfahan, though he had previously been prosecuted, convicted and deprived of his civil rights); the third by the Millspaugh question; and the recent months by Farhudi's interpellation and the problem of the new Government."

could accomplish something constructive, while a bad one usually found time and opportunity to replenish his fortune.

The conditions outlined above produced demoralization in the administration and something worse than inefficiency. In this system, honest and able civil servants were dismissed or demoted to make room for political appointees, while the dishonest, lazy, and incompetent ordinarily escaped retribution and frequently won advancement. Since ministers liked to appoint but found it difficult to dismiss, the number of employees multiplied, while their morale and usefulness declined. In 1943 the number of government civil employees had risen to about 100,000, four or five times the number in 1927.²⁰

At the time of my first Mission, the Majlis had passed a civil service law. From time to time thereafter the Parliament had enacted legislation dealing with special classes of employees, while a profusion of regulations had been issued by the Council of Ministers. Advancement depended upon length of service, a system that effectively killed initiative, raised inferior men to the top positions, and left good men at the bottom. Piecemeal legislation resulted in an accumulation of inequities, an amazing growth of red tape, and a prodigious display of obstructive legalism. When I placed an American at the head of the Personnel Administration, he found some 15,000 cases awaiting action.

This system and the manner of applying it worked injustice to all worthy employees, young and educated along with old and experienced. The young and educated, however, fell into a fairly well-defined class, had developed something of a persecution complex, showed no backwardness in advancing their claims to preferment, and received wide sympathy and much active support from the newspapers, the deputies, and the public.

Of all the conditions affecting morale, inflation had been the

²⁰ A total of 89,463 was shown by a tabulation of all government employees except those of the Ministry of War, Ministry of Foreign Affairs, Royal Court, and the railway.

most shattering. At the time I arrived in Persia the rise in prices had within two years reduced the purchasing power of salaries far below the cost of living. The Majlis had given increases amounting to more than 100 per cent, but salaries were still below a starvation wage. Under the circumstances, as I have remarked previously, the employees could only steal or starve. The resulting indifference and apathy slowed down administrative operations almost to the stopping point, and active discontent came close to open rebellion.

At the top of this rotten and tottering governmental structure sits a young and perplexed Shah, flanked on the one side by an over-polished court and on the other by a corrupt and incompetent military clique, predisposed to dictatorship. He admits that Persia is not ready for democracy and he has never lost his admiration for his father. Shah Mohammed has been a constitutional king, so far as he knows how to be or can be, but in practice he interferes with the prerogatives of Parliament and government. How he will use the considerable influence that he possesses and what will eventually come to him remains to be seen.

Any developing form of popular representative government requires certain underlying stabilizing factors, which may be provided by deeply rooted institutions or by traditions, morals, and universally accepted principles. From the institutional standpoint, Persia had the Church and the Throne; and the Revolution created a third institution, the Parliament, custodian of the constitution. The dictatorship not only weakened all three of these institutions from the standpoint of their place in the feelings of the people, but it also suspended and discredited that evolutionary course which might have consolidated popular affection and respect for the fundamental law.

Persia shows no signs of anything like the institutional evolution which gradually prepared the foundations of free government in western countries and which adjusted and trained men as it went along. Persia attempted to transplant popular gov-

ernment. She did not develop individual and local habits; she copied a constitution. Local self-government, though provided for in the constitution, has not developed to any extent either in form or in spirit. It should have been started in 1906, along with a measure of legal freedom for the tribes, or at the very latest in 1922. After the Allied occupation, experiments along this line would have been hazardous and probably would have promoted disunity. In the North, the establishment of local governments would have facilitated Russian tactics; and it was by no means a coincidence that the recent demand for "autonomy" should have come in belligerent tones from Azerbaidjan.

In those countries where free government resulted from a self-contained evolution, social development was on the whole a gradual and integrated process, like the normal growth of an individual from infancy to manhood. For example, at the simple beginnings of democratic institutions in England, the life of the people was also simple. When men were discovering the elements of self-government, they were at the same stage of discovery in agriculture, industry, commerce, and the material conditions of living. All parts of society possessed at once about the same elementary characteristics, and during the early formative period all moved forward at about the same rate. Persia in many respects is where England was in the eleventh or twelfth century; but Persia is spending its political infancy in the presence of twentieth-century civilization and in the midst of a modernity for which she is psychologically and politically unprepared but which she demands and cannot escape. Persia is a child forced prematurely to live the life of an adult.

CHAPTER VII

PROGRESS AND OPPOSITION

In the setting just described the American Mission started its work. This chapter takes the story from January 1943 to November 1944. At the time of our coming, Ahmad Ghavam held the premiership. A rich landowner of the North, this shrewd but widely distrusted politician of the old school, had been head of the Cabinet when my first Mission arrived in 1922. Then, as on this occasion, he soon lost the "confidence" of the Majlis. His successor, Ali Soheily, was one of the younger politicians, an apparently sincere friend of the Mission, and committed to the policy that the Mission exemplified. He was by all odds the most direct and businesslike of the Persian prime ministers that I have known, and on occasion he could take strong action, though hampered by conditions in the Parliament and by disloyalty in his patchwork Cabinet. Even more clever than his predecessor as a manipulator, taker of credit, and shifter of blame, he balanced himself on the political tight-rope for what he proudly pointed to as a record-breaking period.

Mohammed Sa'ed Maraghai became Prime Minister on March 19, 1944, re-constituted his Cabinet on August 31, 1944, and finally fell on November 9, 1944. Mr. Sa'ed hailed from Azerbaidjan, and his countrymen of other nativities and ancestries explained him as a "Turk" with "Turkish stubbornness." He had spent most of his public career in the Persian foreign service, much of the time in Russia; and he had served well as Foreign Minister in the preceding Cabinet. Mr. Sa'ed's geniality, wit, and charm had won him popularity; while his personal integrity had earned respect. He impressed me as one who wanted and tried to do right. Neutral in both domestic and foreign affairs, he made an honest effort, I felt sure, to steer a difficult course with impartiality. He labored, however, under conspicuous personal deficiencies, suffering, as it soon

became apparent, from a notable ignorance of economics, finance, and administration, along with distaste for these aspects of public policy. Less acquainted than Mr. Ghavam or Mr. Soheily with the shortcomings of Persian officials, he took at face value their assertions that they were quite capable of running governmental affairs. Unfamiliar also with the background of the Mission, he was disposed at the start to believe what was said by our Persian and foreign critics. During his tenure, the Mission experienced serious and growing opposition.

Our first Minister of Finance, Allah Yar Saleh, was comparatively young, progressive, and honest, a former interpreter at the American Legation in Teheran and, at the time of my appointment, head of a Persian economic mission in New York. He found it difficult to adjust himself to Persian political and administrative requirements and soon impatiently resigned. On April 28, 1943, he was succeeded by Morteza Gholi Bayat, one of the old landlord politicians who had held the same position for a while during my previous employment. In the interim he had been a deputy and for some time as vice-president of the Majlis had acted as a willing tool of the ex-Shah. Still a landlord, he now had his fingers in the commercial pie. He was succeeded on December 15, 1943 by Amanollah Ardalan, who proved an intelligent and co-operative friend of the Mission. To succeed Mr. Ardalan, Mr. Sa'ed, when he became Prime Minister, first appointed a former bureaucrat in the Ministry who had walked out when I asked him to be the assistant of an American. As Minister, he lasted only two or three days, since the Majlis majority glancing at him turned its thumbs down. The next Minister, Abol Ghasem Faroohar, had been a judge, and he chose a wealthy young lawyer for his undersecretary. Both wanted to direct administrative operations; each made a number of contributions to confusion and obstruction; and each asserted that he had tried to help the Mission. Our next Minister, Ali Asghar Zarrinkafsch, came on August 31, 1944, bringing a new undersecretary with him. Mr. Zarrinkafsch had been a member of the diplomatic service

and an official of the Ministries of Foreign Affairs and of Justice. He had slight knowledge of administration, finance, or economics; but he was patriotic, honest, and frank, a firm friend of the Mission with no commercial axe to grind.

Changes of prime ministers and ministers reflected situations in the Majlis. This body also passed through its biennial alteration. The Thirteenth Majlis came to an end on November 23, 1943. On that date the elections were far from completed and, luckily as it later appeared, the Fourteenth Majlis did not convene until February 26, 1944. Elections continued into May; and as late as December 1944 the Majlis was still voting on the credentials of its members. While these unfinished items did not prevent the deputies from functioning, they spent a month or more setting up the committees, putting together a new cabinet, that of Mr. Sa'ed, and debating the government's program.

EARLY ACTIVITIES

Persia had three banking institutions owned and controlled by the government, a National Bank, an Agricultural and Industrial Bank, and a Mortgage Bank. An insurance company also had been established. In addition, there was the Army's wild-cat enterprise, the Bank Sepah. The National Bank was headed by a director general, appointed, before my arrival, by the Council of Ministers on the recommendation of the Minister of Finance. My engagement law provided that I should appoint, after consulting with the Minister of Finance, the personnel of "establishments directed by government capital." All the banks, as well as the insurance company, clearly fell into this category. The Agricultural and Industrial Bank, the Mortgage Bank, and the insurance company were each headed by a board of directors of three members, appointed by the Ministry of Finance. From the start, I took steps, with some effect, to strengthen these boards and free them of political connections; but found no favorable opportunity to do anything about the Bank Sepah.

In connection with the National Bank, something of a crisis

arose during the first days, which calls for mention in view of its relation to later events. Mr. Saleh informed me that a number of deputies on their own initiative had prepared a bill which, if passed, would have had the effect of transferring to the Majlis the appointment of the Director General of the National Bank. Its immediate object was to get rid of Abol-Hassan Ebtehaj, who had been appointed Director General only a few weeks before; but its long-run effect would have been to put and keep the bank in politics. So, at Mr. Saleh's earnest request, I wrote a letter to the Prime Minister, Mr. Ghavam, stating my opposition and objections to the project. He made my position known to the deputies, and they abandoned their proposal.

Ebtehaj belonged with Saleh to a reputable group. He was known to be anti-foreign, particularly anti-British. He expressed a vehement nationalism; and took no pains to conceal his belief that he was equal or superior in ability to Americans. One soon took note or heard of his nervousness, his incredibly hot temper, his inclination to ride rough-shod over opposition, and his dictatorial propensities. These qualities had handicapped him in some quarters and helped him in others. Nevertheless, he impressed me as a vigorous administrator, a good technical banker, and an honest, courageous man. He spoke English perfectly, and assured me of his intention to co-operate with the Mission. Some weeks before the departure of the Mission from the United States, the Persian government had requested the Department of State to select an American adviser or director for the bank. I informed Ebtehaj that I would advise against the proposal to bring an American to direct the bank so long as he remained in the bank and co-operated with the Mission. For more than a year thereafter he worked with us in a gratifying way.

Nevertheless, in the affair of the Majlis proposal I made a serious error because of my desire to save this official's pride. What I should have done at that time was to point out to him that I had the legal right to dismiss him, and I should have obtained from him a recognition of my right. If I had taken such

action, the Mission and I would have been better safeguarded against trouble later when Ebtehaj had made himself stronger.

We quickly completed the over-all structural reorganization of the Ministry of Finance. At the top stood the offices of the Minister and of the Administrator General of the Finances. Directly under them were four staff agencies for correspondence and files, personnel, supplies, and inspection. Next we had four line agencies concerned with revenue: Customs, Internal Revenue, the Tobacco and Opium Monopolies, and Ceded Properties and Public Domains. Then followed the line agencies concerned with fiscal control: the Administration of Accounts and Audits and the Treasury General. We set up two new agencies. The Administration of Industrial Supervision provided a special liaison with the Ministry of Commerce and Industry, which administered the government's factories and mines, while our General Inspection Administration gave organization and possibilities to a headless group which had been frequently a dumping ground for men who were not wanted anywhere else. During and after this over-all realignment, we proceeded to reallocate activities in order to eliminate overlapping, duplication, and confusion of duties. Our procedural reforms came slowly. These mainly concerned control of expenditure, execution of the civil service laws and regulations, and the handling of correspondence.

PRICES, GOODS, FOOD, AND TRUCKS

In my first monthly report, I published the proposals that had emerged from a number of conferences on the inflationary situation.¹ We recommended that the government take action on a broad front.

Mr. Soheily readily accepted the first of our projects which was later to become ostensibly the issue on which the Mission fell. The Majlis passed the bill without much opposition on May 4, 1943.²

¹ *Report*, Jan. 22-Feb. 20, 1943, pp.7-8.

² The law as printed in App. B pp. 273-75 will be referred to later as the *Full Powers Law*

The law assigned to me personally the power to control the procurement, importation, exportation, transportation, stocking, and distribution of raw materials and finished goods (other than food commodities), and to control rents (in agreement with the Minister of Justice), wages, and other charges for services. In the execution of these powers, the law authorized me to take any action that I might deem "useful and necessary for the lowering of prices and stabilization of prices of goods and their fair distribution." The law further provided that food commodities should come under my control on the joint proposal of the Minister of Food and myself and with the approval of the Council of Ministers. It was specified that the law should be in force until six months after the end of the war unless sooner repealed by the Majlis.

This legislation made possible an impartial nonpolitical administration, as well as continuity of policy and action, permitting us to suspend or revise the mass of economic legislation previously passed and to set up a flexible instrument for meeting the changing conditions of the emergency. We had been given, incidentally, an admirable means of striking at totalitarianism and encouraging freedom of trade.

As the law indicated, we expected to control the goods themselves, rather than to enforce a system of price fixing. We proposed to restrict control in the main to the staple commodities—grain, bread, sugar, tea, and cotton piece goods—which were already handled by the government. If these commodities could be procured in greater quantities, rationed and distributed on a fair basis, and sold at low prices, the cost of living for the masses would be measurably stabilized, and it was hoped, with the help of other measures, that the inflationary spiral might be checked. Incidentally, these operations in conjunction with others would allay discontent, build public confidence, and restrict opportunities for speculation.

Robinson consented to serve as chief administrator of our new Price Stabilization Section. He was already serving with ability as director of the Internal Revenue Administration and

had organized the State General Supply Corporation. Transferred to his new duties, he threw his whole strength and skill into what seemed for many months a well-nigh hopeless undertaking. After many conferences with the Minister of Justice, we succeeded in getting rent control under way. For the procurement and distribution of drugs, the government established a Pharmaceutical Institute under the joint administration of the Ministries of Health and Finance. The Minister of Commerce and Industry refused for several weeks to transfer the organizations in his Ministry that had charge of licensing imports and exports; but the Minister of Food promptly handed over to us the agencies concerned with sugar, tea, and cotton piece goods—the so-called “monopoly goods”—and foreign procurement.

The Council of Banks took steps to restrict credits; but Ebtehaj complained that the Sepah Bank, which he said was grossly mismanaged, had ignored all restrictions. The National Bank began selling gold and silver; and the American and British armies also brought in gold. These measures tended to check the expansion of paper money. We prepared a bill authorizing the issue and sale of treasury bonds. The Industrial Supervision Administration with a member of the Mission at its head proceeded to survey the requirements of the factories and help in the improvement of their operations, with a view to increasing local production and public revenue.

Robinson, when director of the Internal Revenue Administration, had studied the system of income taxation then in force and in co-operation with Persian officials had drafted a bill which the Council of Ministers approved and submitted to the Majlis on May 27, 1943. We expected that this bill, if promptly enacted into law, would operate as a major anti-inflationary measure, while meeting the need for additional tax revenue. Our project also represented a long and bold step toward the reform of Persia's tax system, as well as a sound move in the direction of social justice. We proposed a progressive scale of taxation, exempting the low-income groups and

radically raising rates in the upper brackets. Our bill provided for the abolition once more of the duties collected at the city gates and required the landlords, along with other classes of the population, to pay the income tax.

In the spring of 1943, as in the long centuries past, bread was the staff of life of the Persian masses, while the grain that made the bread constituted the chief crop of a predominantly agricultural land. Grain and bread, therefore, bore a vital relation to the economics of the country and to the finances of the government; and, in addition, the question of food had obvious social implications. Furthermore, conditions had compelled the government for many generations to control the collection of grain, and, in varying measure and different ways, the distribution of flour and bread. Thus, the question of food was always more or less in politics; it might act as tonic or poison to the professional office seekers; it might create or kill cabinets.

Ordinarily, the country produced an exportable surplus of wheat; but crops varied according to the winter snowfalls and the spring rains, and occasionally crop failures brought serious shortages and sometimes famine. Such a shortage occurred in 1942; and protracted famine had been averted only by reduction of rations, heavy adulteration of the flour, and Allied help in the bringing in of grain and provision of transport. Normally, transport accounted for at least half of the food problem; for the country had its surplus and its deficit areas; and, unluckily, the central region around the capital consumed far more than it produced.

Thus, the tasks of the government in its administration of the monopoly were: to fix the price of grain; to collect all the crop after reserving a quantity required by the peasants and landlords; to allocate the collected product to the cities and towns; to transport it; in many cases to mill it into flour; to distribute the flour to the bakers; and to fix and enforce rations and prices for flour and bread.

To replace the primitive storage facilities that we had used

at the time of my first Mission, the ex-Shah had erected on the outskirts of Teheran a large concrete grain elevator, called in Persia the *Silo*, which also housed a flour mill, equipped with modern machinery. To break the power of the bakers, who retained insanitary methods and an age-old reputation for skulduggery, Sheridan had installed a bakery at the Silo. Unfortunately, it made a large part of its bread in loaves of the American type, while the Persian is accustomed to flat thin loaves convenient for carrying across the arm or over the shoulder and well adapted to the eating habits of the masses. To the Persian taste, the quality of the Silo bread also suffered in comparison with the bakers' product. Moreover, the operations at the Silo had stirred the private bakers to intrigue; and apparently they not only sabotaged their own output in order to discredit the Silo flour but also instigated sabotage in the Silo bakery.

In 1943 Persia enjoyed an exceptionally good crop; but the stocks in Teheran remained low, while the bread situation became more and more troublesome. Grain collection would have been in an even worse state had it not been for British help in collection and British and Soviet assistance in transportation. In spite of this help, the political direction of the Ministry of Food kept the whole operation in a state of uncertainty, inefficiency, and gross corruption; while in some of the most important grain-growing regions governors interfered with and in some cases completely controlled local operations, paying little attention to the needs of the country as a whole or to the orders of the central government.

The Ministry of Food had increased the price of grain in 1942 about two and one-half times; but the Council of Ministers for understandable political reasons had not correspondingly raised the price of bread. Accordingly, the government was heavily subsidizing the bread supply of Teheran and other cities. Sheridan and I proposed an increase in the price of bread in Teheran; and with delay and reluctance the Council of Ministers took the action recommended

Before the passing of the Full Powers Law, Sheridan had informed me of his intention to leave in August, at the end of one year's employment. It was vitally necessary that the food administration should be under American direction; and at my suggestion Minister Dreyfus telegraphed the State Department requesting that it find a man to take Sheridan's place. During the summer Mr. Soheily repeatedly begged me to take over the remaining functions of the Ministry of Food; and in August, shortly before Sheridan's departure, the transfer was made in accordance with the Full Powers Law, though the State Department had not yet sent an American for the job.*

Lack of transportation had been at the bottom of the difficulties in grain collection, as well as in the distribution activities of the Price Stabilization Section. Mr. Soheily, who had developed a violent aversion to the Britisher who was then directing the Road Transport Administration, urged me to appoint an American, "any American," to take this job. The two Legations agreed in principle to the abolition of the Road Transport Board, feeling that this organization had served its purpose; and they fully approved a change in the direction of the Administration. Accordingly, in August Rex Vivian who had been one of Sheridan's American assistants took charge, although the Road Transport Board continued to meet and retained control of the issuance of tires.

Vivian found himself quite literally the victim of "pulling and hauling." On one side he had an inconceivably difficult operating task, without any maintenance facilities worth men-

*When we took over the administration of food, we were told: "The wise fellows are aiming to kill two birds with one blow. Knowing that human power and energy have a limit, they are burdening Dr. Millspaugh with so many difficult duties that sooner or later a famine will break out; and the Doctor, made to suffer such a great defeat *at his own hands*, will have to resign."

"Sir! Bread is the most important thing in Iran. And once you fail to supply the nation with bread—and those guys will see that all your plans are frustrated—the paid editors will begin their work and the dishonest politicians theirs. The result, an utter defeat for the Doctor! And good, fat meat to them! Beware, Dr. Millspaugh, beware!" *Sadaye Iran*, July 16, 1943.

tioning, dissatisfied contractors, and political interference; and, on the other side, he had the most pressing demands for the transportation of grain, coal, tobacco, cotton, sugar beets, tea, sugar, and piece goods—all necessary to the life or well-being of the people and to the treasury.

On the railway the Allies allocated a certain number of freight cars each month for the hauling of government and merchants' goods; and the space so allocated was not being fully used. As a result, goods were piling up in customs warehouses and in some of the northern factories. After conferences with the British head of MESC (Teheran), we set up a Movements Coordinating Committee; and, to get it going at once, we obtained through MESC the loan of an officer from the British Army.

Another difficult transport problem arose from the shortage of government-owned passenger automobiles. This shortage, in the absence of proper control of use, garaging, and maintenance, caused on the one hand rapid depreciation of cars and tires and on the other delays and losses in practically every governmental operation.⁴ The Council of Ministers on our recommendation placed all of the government automobiles in the custody and control of the State General Supply Corporation. This step was necessary, but politically hazardous; for automobiles had enormous prestige-value to Persian officials.

MONEY, GUNS, AND MEN

The economic activities just mentioned tied in very closely with our financial task. In general, inflation had made budgeting and financial planning progressively more difficult. Moreover, the financing of industrial and commercial operations represented more than half of the budget and by far the most difficult part of it. Through its monopolies, factories, and other enterprises, the Persian government purchased, manufactured, and sold commodities on a large scale; and these

⁴The bad quality of bread, which brought on a storm of complaint in Teheran, was partly due to insufficient automobiles for adequate inspection of the bake-shops.

undertakings made it necessary to advance large amounts for the purchase of raw materials, foodstuffs, and finished or semi-finished goods.⁵

When the fiscal year closed on March 20, 1943, the Treasury General reported that ordinary payments had been about 87 million dollars and ordinary receipts about 83 millions, showing a deficit of about 4 millions. On the industrial-commercial side of the budget, payments amounted to about 100 millions and receipts to only 79 millions, resulting in a deficit of around 21 millions.⁶ In the total of its activities, the government had run behind approximately 25 million dollars; and the industrial-commercial operations accounted for 84 per cent of this deficit. Because of the uncertainties of the emergency situation, one could not expect accurate forecasts and planning for these enterprises; but, from the fiscal standpoint alone, it was vitally necessary to make them pay.

At the time we took up our work the budget for 1943-44 had not yet gone to the Majlis, or even been prepared in the Ministry of Finance. We found it impossible to obtain satisfactory estimates of revenues; but publicly we aimed at a balanced budget, though privately we had little hope of attaining that goal. It would become necessary during the year to increase the salaries of the employees; and an average increase of only 50 per cent for all of them would mean an additional expenditure of about 17 million dollars.

We explained the situation to the Prime Minister and requested him to instruct the various ministers to reduce their budgets by 20 million dollars. It was difficult, however, to show the ministers and deputies that dismissals would help to balance the budget, since, they argued, we must not turn employees

⁵ In April 1943 the amounts estimated for these purposes included about 21 million dollars for cereals, 10 millions for the munitions factories under contract to the Russians, 3 millions for the canning factory also operated on Russian account, 1 million for cotton, and 6 millions for opium purchases.

⁶ These are not the final figures for that year. They represent only the actual disbursements and receipts of the Treasury General, and not the complete operations or the audited accounts. These, like other figures that I present, must be considered extremely approximate.

out to starve, many could not find other jobs, and the government would have to support them. Of course back of this argument lurked an understandable political fear, for in Persia dismissed employees and their backers usually created considerable annoyance and intrigue. Even in the financial administration under our immediate direction, we failed to set much of an example to the other ministries. Our own difficulty stemmed partly from the sympathies and fears of the supervisory officials and partly from their inability in the short time available to estimate administrative needs and to distinguish good employees from bad.

When the ministers submitted their estimates of expenditure, we found that, with one or two exceptions, they asked for considerable additions to their budgets; and the Ministry of War requested about 18 million dollars more for the Army, an amount that would have increased its budget from about 23 million dollars to approximately 41 millions. These demands were the more disconcerting because in large part they appeared to be justified by the rise during the year in the prices of materials and supplies.

In the case of the Ministry of War, the demand for an increase presented a larger question. The Army already took almost one third of the ordinary revenues. It had grown during the ex-Shah's reign from 40,000 men to over 90,000 in spite of tribal disarmament. The fact that the tribes had armed again did not make civil war inevitable or even probable, unless the government in its handling of the tribal problem chose force as the sole means of solution, which it appeared inclined to do.⁷ The Army seemed to need first of all a drastic reduction and then an intelligent and honest process of rebuilding and retraining, replacing most of the higher officers, curbing the military clique, and cutting its connections with the

⁷The Army seems to have deserved the description that one newspaper gave it: "Our tin soldiers and our puppet army, which are only personal guards for the military lords." *Ra'd*, Jan. 17, 1944. During the summer, a force sent against the Kashgai tribe was surrounded and captured by the tribesmen.

Court. In fact, the sound course would have been to abolish the Army altogether and build up and equip the gendarmerie to the requirements of country-wide policing. As it was, militarism, with its insatiable appetite and arrogant spirit, stood squarely in the way of Persia's progress.*

Mr. Soheily carefully avoided taking any stand on the question; and it seemed unwise for me at this difficult time to run the risk of antagonizing the Shah. We therefore compromised on an increase of 10 million dollars. It was my hope even then that the Majlis would take up the question constructively; but the deputies, some in meek silence and some with a show of enthusiasm, obediently followed the Shah's wishes.

Mr. Henry F. Shambarger, the American Director of Accounts and Audits, succeeded in eliminating many items from the budgets and reducing others; but in the end the government found itself with considerably increased obligations for 1943-44. During the year, lack of money when we needed it most presented a continual and major difficulty. We got along through the early months by arranging with the Anglo-Iranian Oil Company for advance payment of the year's royalties amounting to about 12 million dollars. For the rest, we borrowed from the National Bank.

In the meantime, discontent among the civil servants threatened at times to bring all government operations to a standstill. Strikes and threats to strike occurred frequently among the employees of other ministries and in the factories.[†] The government appeared to have no stomach for anything but surrender. Nevertheless, because of my refusal to approve increases for strikers, the engineers and most of the others eventually returned to work at their previous compensation. We approved

* I told the Shah that if the Army budget were increased we could do little if anything for agriculture, education, or public health. He said: "Very well, then; we'll have to postpone those things."

† A large number of the engineers of the factories and mines refused to go back to their jobs until their salaries were raised; and they published a statement glorifying their passive sabotage and representing themselves as unselfish defenders of the noble cause of the young and educated.

increases, however, for the policemen and others who were grossly underpaid and did not strike.

To our own employees we issued circulars making known our sympathy and intentions, appealing for their loyalty and co-operation, and warning them that striking employees would be promptly dismissed. In a few places, some of them quit work for a few hours; but for the most part they remained at their posts, though revealing no marked improvement so far as efficiency and honesty were concerned.

The enactment of the Full Powers Law on May 4 had exercised a favorable effect on prices. On April 21 the price index had risen to 945; on May 21 it had declined to 910; and on June 21 it stood at 874. In July the government on our recommendation submitted to the Majlis a request for a credit of 17 million dollars for aid to the employees in cash and in kind, a proposal that the Majlis found to its liking and promptly approved. The passing of this act and the payment of the increases, though they were by no means sufficient, helped to allay discontent; though finding means to live still presented a desperate problem to the employees, their morale remained low, and sporadic strikes continued.

Prices, moreover, took an upward turn in July and August and rose gradually until December; but, thereafter, the index tended to fluctuate around 1,100. During the twelve months from April 21, 1943 to April 21, 1944, the index rose by about 17 per cent, compared with a rise of 179 per cent during the preceding twelve months.¹⁰

This measurable stabilization may be attributed to various factors, and these included the Mission and its work. Our presence had created confidence in the government and in the soundness of the currency. The introduction of the income-tax bill and the internal loan bill and a belief that government spending would be curtailed produced favorable effects. The

¹⁰ The 1942-43 rise was from 339 to 945; the 1943-44 rise from 945 to 1,108.

Full Powers Law added substantially to the psychological influence of the Mission itself.

Prices might have continued to fall after the enactment of that law had it not been for some serious adverse conditions. The internal loan bill did not become a law until September 19; and, as late as November 1, the Majlis had not passed the income-tax bill. The government's spending, its deficit, and its borrowing showed an increase rather than a curtailment. Factory production failed to expand. In addition, a serious lag occurred during the summer and fall of 1943 in the effective operations of the Price Stabilization Section; that is, in connection with the procurement and distribution of sugar, tea, and cotton piece goods. The lag showed itself in the piling up of goods in the customs warehouses and at the factories and, as a consequence, in the postponement or reduction of essential imports. Moreover, we had erred to some extent in the application of our limited man power; and had permitted ourselves to be diverted from the main tasks of procurement, movement, and distribution. We put considerable time on undertakings which in the end we had to abandon; for example, the requisitioning of private automobiles for public use, the control of newsprint paper, and the establishment of a central store for the sale of government goods.

As the preliminaries got under way, and the situation unfolded, we saw that we could make little if any progress unless we had more Americans to fill all of the key positions at Teheran, and especially to supervise the field agencies where a majority of the employees worked and where the decisive operations took place. Accordingly, after getting the advice of the American Legation, I prepared a bill, which the government submitted to the Majlis on July 29, 1943, authorizing me to select and the Ministry of Finance to employ up to sixty Americans to fill positions in the Ministry and in the connected economic organizations, without further reference to the Majlis.

GRAIN, BREAD, RICE, AND POLITICS

As soon as we had taken over the food administration, the deputies of the Majlis applied pressure to induce us to relax the government monopoly. In order to ensure continuous and effective control, the government had prohibited private transportation of grain into the cities. About a dozen deputies met with me in two conferences, each of which lasted some three hours. They proposed that we lift the prohibition of transport in order to permit householders to lay in their own supplies of flour, as had been the custom in the past. They had plausible arguments; and, if we had had an ample reserve in the Silo, it would have been quite safe and eminently politic to free the trade in grain and flour, as we did a year later. At the time, we had no reserve, and no assurance that we could feed Teheran during the next winter. It appeared also that a partial freeing of transport and sale would hamper our collection work, since the black market price in the capital was then considerably above the government price outside the city.

The pressure for flour permits appeared trifling in comparison with the agitation that followed over bread. This and the anxiety over the prospects of food during the coming winter stimulated a highly emotional newspaper propaganda, led to an interpellation of the government, and prompted the deputies to discuss in secret session a proposal to annul my economic powers.

The Silo bread was of disgracefully poor quality—heavy, soggy, with a cement-like crust, containing not only a more than ordinary percentage of barley, but also bits of straw, small stones, and sand. Every day I received samples of this stuff, with appealing or threatening letters.²¹ To make matters

²¹ One day I went to the Majlis and met with the President and a score of excited deputies. One advanced toward me talking too fast for much interpretation, and gesticulating with a loaf of bread. "See what you give us to eat!" he shouted. About all that I could do was to admit the bad quality of the bread and to assure them that, if they would give me time, I would do my best to bring about improvement.

worse, people crowded at private bakeshops, waiting for hours, pushing, elbowing, and creating disturbances."¹²

I set up an independent administration to supervise the bakeries and appointed an exceptionally able and honest Persian, Colonel Saffari, to straighten out the situation. In the meantime, we took heroic steps to obtain replacements for the mill. Both the bread and conditions at the bakeries improved; and at the end of 1943 public complaints and criticisms in the Majlis had practically ceased.

Rice, grown chiefly on the Caspian coast, had also been a monopoly of the government. A quantity of around 60,000 tons was usually available for export to Russia and for some years had been taken by the Soviets under a barter arrangement. The Minister of Finance and I, with the approval of the Prime Minister, signed a similar contract with the Soviet Trade Delegation. It threatened to work to the disadvantage of Persia, unless carried out on our side with the utmost efficiency, but it seemed at the time to represent desirable co-operation in the war effort.

OBSTRUCTION AND SHOWDOWN

In the early fall our task appeared hopeless unless the government and Majlis gave us without delay their co-operation and support. To be sure, the Full Powers Law had received parliamentary approval, but this law had merely enlarged our authority and responsibility. On the other hand, the Parliament had passed the internal loan project only after weeks of delay; they had not approved the sixty-man project; and after five months they showed no disposition to enact an income-tax law.

I had brought the urgency of the situation repeatedly to the attention of Mr. Bayat and Mr. Soheily and to public notice in my monthly reports.¹³ We took the traditional American

¹² The causes of these conditions were many—the wearing out of the milling machinery, poor screening of the flour, failure of the Silo bakery, sabotage, poor administration, poor distribution, and lack of proper inspection.

¹³ *Reports*, June 23-Aug. 23, 1943, p. 6; Aug. 24-Sept. 23, pp. 12-13.

position, with which Mr. Dreyfus expressed full accord, that we had come to Persia to do a job, and if the Persians did not want the job done or refused to give us the necessary means to do it, our presence in the country would be useless and should be ended. Still the deputies raised objections to the income-tax bill, contending that the law was unnecessary, that the government would have no deficit, and that the rates proposed by us would ruin agriculture and industry, upset Persia's social system, and drive people out of the country. Patiently but in vain, Robinson and I answered their criticisms; and we accepted various concessions and compromises. The Thirteenth Majlis was to come to an end on November 23, 1943; and the deputies evidently hoped to procrastinate until that date, thus forcing the government to put the bill over to the next Parliament.

Mr. Dreyfus agreed that the time had come for a showdown, and I handed to the Prime Minister on October 14 a letter in which I stated my conclusion that the Majlis had, in effect, made the success of our work impossible and thus rendered my contract practically inoperative. Accordingly, I was informing His Excellency that my official relationship with the Persian government would terminate on November 2, 1943. All other members of the Mission, except three who were outside of Teheran, wrote letters stating that, since they were by their contracts made responsible to the Administrator General, a termination of his services would bring about a termination of their contracts; and accordingly they considered that their obligation to the Persian government would also come to an end on November 2, 1943.

The solidarity of the Mission and the American Legation's support were sufficient to move the Majlis to action; but, in addition, many of the newspapers, including the communistic ones, attacked the deputies.¹¹ The Shah called me and assured

¹¹ One newspaper, in an open letter to Mr. Dreyfus and me warned us against the "treacherous group" that was seeking to undermine Persian and American friendship. (*Teheran Mosawwer*, Oct. 1, 1943). Another paper asserted that the Majlis was occupied by a host of degenerates busy with

me that the bills would be passed. He also talked to a group of deputies and "ordered" them to take action. The Minister of the Court personally went to the Majlis. The Cabinet sprang into action. The Majlis passed the sixty-man law on October 23. The Financial Laws Commission approved the income-tax bill, and debate began on the floor of the Parliament. In view of these evidences of good intention, I told the Prime Minister that I would extend my "ultimatum," as it was called. The Majlis passed the law on November 11, 1943.

Thus, our first crisis passed, with victory and good feeling; but, because of the delay, we had lost our chance to tax the swollen incomes of the previous year, and the deputies had saved to themselves an opportunity to prevent or impede the execution of the law by providing for approval of the regulations by the Financial Laws Commission.

SMOOTHER SAILING

Until the Fourteenth Majlis convened and the Soheily Cabinet fell, we proceeded in comparative quiet to develop our organization and operations. The Teheran Conference in November contributed momentarily to stability and to American prestige. Grain collection improved, and, thanks to Allied assistance in transportation, we got through the winter of 1943-44 without shortage of food or inconvenience to the people. At the end of 1943 a group of six capable transport men, headed by Floyd F. Shields, and including Edward V. Breitenbach and John L. Hurst, joined the Mission and took over

treacheries and plots; (*Shahbaz*, June 8, 1943); another declared the Thirteenth Parliament a "stain on the Parliamentary history of this land"; while still another (*Rahbar*, July 20, 1943) called the politicians "self-willed political hermaphrodites." (*Setareh*, Aug. 11, 1943). Another warned that the nation would not forget the mischief intentionally perpetrated by the profiteering deputies. "We shall have our vengeance!" *Iran-i-Ma*, July 25, 1943). Still another editor shouted in his pages: "We want the hoarders, the embezzlers, the speculators to be hanged! It is high time that the people united and crushed the yoke of this privileged class of blood-sucking vampires." (*Mihan Parastan*, Sept. 20, 1943).

the direction of the Road Transport Administration. In the economic field, we set up a separate organization for the procurement and distribution of sugar, tea, and cotton piece goods. Esmond S. Ferguson, placed at its head, took vigorous steps to co-ordinate and speed up the various operations involved in getting goods from the country of origin (with the approval of MESG) to the ultimate consumers in the towns and villages and among the hills of Persia.

In the Accounts and Audits Administration, keystone of our financial organization, Rex A. Pixley replaced Shambarger, who took advantage of his contract right to return to America at the end of his first year. William Brownrigg, with two American assistants, proceeded to clean up the accumulation of work in the Personnel Administration and to prepare a new civil service law.

At the end of our first fiscal year, the Mission had grown from 8 to 41 men. We now had members of the Mission in charge at Kermanshah in the West and at Isfahan, Ahwaz, Shiraz, and Kerman in the South; but meeting Russian obstruction, we had been unable to station men also at Meshed and Rasht in the North.

TAXES, THE BUDGET, AND THE ARMY

Before we could proceed with the execution of the Income Tax Law, we had to prepare regulations, get them translated into Persian, check and double-check the translations, and obtain the approval of the Minister of Finance, the Council of Ministers, and the Financial Laws Commission of the Majlis. Melville Monk, who had been appointed Director General of the Internal Revenue Administration, duly submitted the regulations in English and Persian; the Minister and the Under Secretary insisted on a fresh study of the various articles, a rearrangement, and a translation. The incidental conferences and operations took time; and when the regulations finally reached the Financial Laws Commission, several members proceeded at once to attack the law itself, to make long speeches on other irrelevant matters, and to conduct a filibuster intended,

I felt sure, to wreck our tax program. Indeed, the continued movement against the Mission and myself, of which I shall have more to say later on, had a number of representatives in the Commission. After about three weeks had been wasted in this manner I wrote a frank statement on May 14 and had Assad read the Persian translation to the Commission. My statement produced two or three angry rejoinders and some sputtering; but, after the most vehement of the obstructionists had been calmed down and taken away, the Commission got down to its work and proceeded from then on with only its normal wastage of time. The regulations were approved on May 22, 1944, two months after the beginning of the fiscal year.

We then met extraordinary difficulty in getting the regulations, instructions, and forms to the provincial tax collectors, largely because of the incredible slowness of the mails. Tax-payers took advantage of loopholes in the law to evade or postpone payment, while in a few months some of those who had reaped the richest profits in the recent past were pleading inability to pay, protesting to the deputies, and indulging in various forms of local intrigue. At the end of nine months, we had not obtained any increase worth mentioning in our internal tax revenues.

Moreover, the lag in income tax receipts left the municipalities stranded. They were to receive 10 per cent of income tax receipts, since certain taxes previously assigned to the municipal treasuries had been abolished in the new law. The Minister of the Interior, one of the many believers in the political expediency of painless taxation, proposed that the national government hand over some of its revenues to the municipalities and for their benefit add a bit to the prices of goods sold by the government, a revival of the regressive indirect tax on consumption. We believed the municipalities should, to the largest possible extent, be made responsible for their own financing and should levy and collect direct taxes on local property, businesses, and services, in order to hold the gains that had been made toward a sound tax system, and, inci-

dentally, promote decentralization and encourage local initiative.

Shortly after the new Majlis completed its organization, we submitted general estimates of revenues and expenditures; and, as soon as we could obtain the details from the new ministers, we presented the complete budget for the fiscal year 1944-45. The Ministry of War again demanded 17 million dollars in addition to its 33 millions, but we succeeded in getting the budget to the Majlis without any significant concessions to the Army. The latter, however, pressed for a special appropriation of 5 million dollars to pay increased compensation to its officers and men. The Employees' Aid Law, which had been passed the previous year, applied only to the civilian personnel of the government; and the Minister of War contended that the military personnel were now underpaid compared with the employees of the civil ministries. He represented that the proposed adjustment of salaries could not be made within the budget of the Ministry of War without reducing the size of the Army below 90,000; and the Shah evidently would accept no such reduction.

I held to the belief that the Army, in spite of some apparent reforms, constituted this wasteful government's most colossal extravagance. Mr. Sa'ed, like Mr. Soheily, had little inclination to oppose the Shah's wishes, and my own hope too was to avoid displeasing His Majesty; but I desired to force a reduction in the Army, first, to balance the budget and pay the debt, and, second, to facilitate the financing of agricultural development and social services. Moreover, the Army still presented a constitutional issue and a political menace; and I had no intention to assist again in the establishment of dictatorship.

Mr. Seyed Zia Din had returned from Palestine in the fall of 1943, had been elected to the Fourteenth Majlis, and, joining with other pro-British leaders all of whom were friendly to the Mission, he seemed to have succeeded by the summer of 1944 in bringing together a strong party in the Majlis, pos-

sibly a majority. Without any solicitation from me, he assured me of his intention to fight out the constitutional issue, to put the "young man" as he termed the Shah, "in his place," and stop the interferences of the Crown with Parliament and cabinets. Mr. Seyed Zia expressed confidence in his ability to deal with the Army. He proposed to abolish it and enlarge and strengthen the gendarmerie.

Feeling that it might be worth while to test the disposition of the deputies, I informed the Minister of Finance that I could not approve the proposed special appropriation of 5 million dollars, but would not disapprove it; and would agree to submitting the proposal to the Majlis on two conditions. The first condition, intended to draw attention to the unbalancing of the budget, was that the funds be obtained by a loan from the National Bank. The second was that the strength of the Army be fixed at 90,000 men. My idea was that this second condition would point the issue and invite amendments.

With these conditions written into it, the bill went to the Majlis. The deputies added an amendment relative to the trial of officers who had disgraced themselves at the time of the Allied invasion. Otherwise the bill passed on October 24 by a vote of 76 out of 90 deputies present. No one seems to have raised the constitutional issue, and no one, so far as I was informed, proposed to reduce the strength of the Army below 90,000. The Shah afterward told me that the bill meant that the strength of the Army should be *at least* 90,000. Evidently he still thought on an ascending scale.

PARLIAMENTARY "REORGANIZATION" OF THE GOVERNMENT

The Majlis delayed the budget, partly because we had not yet been able to present it in proper form, partly because the Budget Commission, wanting to have something to say about it, did not know how to proceed, and partly because the deputies desired "organization" projects.

Within six weeks after my return to Persia, the government requested me to submit a plan of organization to be enacted into law. Realizing the seriousness of this proposal, since it

had confronted me repeatedly during my previous service, I stated some fairly obvious objections in my second monthly report.²⁵

Neither Mr. Soheily's government nor the Thirteenth Majlis pressed the proposal; but the deputies of the Fourteenth Majlis insisted upon it and Mr. Sa'ed's Cabinet acquiesced quite willingly. It should be explained that the deputies were not so much interested in organization, strictly speaking, as they were in personnel. What they wanted was a scheme that set up the various divisions and subdivisions with the number and classes of positions assigned to each of them. This was precisely the scheme that we intended, as soon as we could, to embody in the budget; but it was one that could not be frozen into a permanent law, unless the law were to be promptly disregarded; and the ministers knew that such a law would be. Some of the deputies wished to make sure before pruning the budget that they did not cut away the positions occupied by their friends and political henchmen; or they desired to restore in the provinces, particularly in the field organization of the Ministry of Finance, the system under which the governors and deputies had controlled the provincial personnel and operations.²⁶

²⁵ "The present is a time of emergency, and the organizations of the Ministries should remain as flexible as possible in order that they may be speedily adapted to changing conditions. . . . The Ministry of Finance is not yet reorganized nor is it possible yet to decide what its final organization should be. It is necessary also, in the interest of efficiency and economy, to transfer certain activities and departments from one Ministry to another and also to establish agencies to co-ordinate the work of different Ministries. These matters require deliberate study and, even under normal circumstances, would take time. It would be most unfortunate if a law should now be passed freezing the Ministries, particularly the Ministry of Finance, into a fixed form. Moreover, the law of my engagement gives me authority, with the approval of the Minister of Finance, to reorganize the financial administration. It may be added that in the United States some departments are organized by law; others are not. Even in normal times, the wisdom of providing by law for the organization of the entire executive branch of the Government may be doubted. . . ." *Report*, Feb. 20-Mar. 21, 1943, p. 11.

²⁶ The deputy from Golpayegan zealously and persuasively pressed the idea of organization laws; but he happened to be the deputy referred to in the following excerpt from a letter addressed to me by an American provincial director:

"In all the years that Golpayegan has been under Teheran . . . it has been a cesspool of political intrigue and corruption. . . . It is remark-

I made an effort in letters and conferences and in my monthly report to dissuade the deputies from their useless and demoralizing purpose; but the attack on the Mission in the Majlis and the press, then in full swing, encouraged interferences of all kinds in our work. The deputies passed a law early in November requiring the ministries to submit their organizations, which when approved by the Budget Commission would be enforced for "an experimental period of two years."

In the meantime, we made minor changes in the organization of the Ministry of Finance, though it could not take anything like a permanent form until the emergency had ended and our procedural reforms had been adopted. Mr. Brownrigg had his new civil service bill ready; but the situation in the Majlis at the moment made the submission of any such a project inexpedient.

ECONOMIC ACTION

When Mr. Sa'ed became Prime Minister in March 1944 our economic activities had passed from the stage of preparation to that of positive action and demonstrable progress.

With the help of American provincial officials and their British assistants and under the direction of Dr. Black and his American and British colleagues at Teheran, grain collection marched on to an achievement unprecedented in this land of famines. On October 23, 1943, we had in the Teheran Silo less than 11,000 tons of grain. A year later the Silo contained 30,000 tons; and we had not only fed the cities satisfactorily but had accumulated in the country as a whole a total stock of 154,000 tons, equal to a six months' supply. This ample reserve permitted us late in the summer to remove all restrictions on the private transport of grain; and we looked forward to abolishing the grain monopoly entirely in another year,

able that Dr. Moazzami had never objected . . . to the completely corrupt chief of finance whom I have just dismissed nor had he objected to one of the most disgraceful finance offices that it has been my duty to inspect and clean up in this benighted country."

planning to use the reserve as insurance against famine and as a means of stabilizing grain prices. Our friends in the Majlis, however, could not refrain from interfering. At the very beginning of the crop year the deputies pressed us for immediate relaxations and introduced bills designed to compel us by law to conduct our administrative operations in the way the landlord-deputies desired. Impatience and excitement developed on the floor of the Parliament. Desiring to preserve intact the principle of administrative discretion, embodied in the Full Powers Law, we made concessions and thus forestalled legislation which once started might have gone to disastrous lengths.

The parliamentary drive on our grain program, which continued intermittently from May to October linked up with the general attack on the Mission, which had manifested itself in matters of taxation and reorganization.

The Persian government had lost money, and we had gained experience from the transaction with the Soviets the previous year. In 1944 the Soviet Trade Delegation asked for another contract, under which they would buy rice at a low price and in payment deliver a variety of goods at high prices. On this one-sided barter basis, no agreement could be reached.

We engaged in something of a running debate with MESC (Teheran) regarding Persia's supplies, requirements, quotas, and allocations. To Mr. Sa'ed and his ministers we endeavored to explain the complexities, difficulties, and progress of our work; and the Cabinet reviewed the quotas proposed by MESC. With reference to sugar, tea, and cotton piece goods, Ferguson's Distribution Section had movements well under way in the spring, cleared the customs houses, pried stocks out of the factory warehouses, and were making larger deliveries at the various distribution points. From these points, American and Persian officials were getting the goods not only to the city residents but also to the peasants and tribesmen, in many cases to people who had never previously received any of these staples at the fixed prices. We had not reached by any

means all of the people in the country; and considerable inefficiency and dishonesty persisted.

Unluckily, we met with more difficulties in Teheran than anywhere else. There, dishonesty, obstruction, intrigue, and propaganda were at their worst. The Prime Minister and the ministries gave us little support, while the Ministry of Justice and the police joined the intriguers and went out of their way at times to embarrass and discredit us.²⁷ Different groups of Persian "capitalists" and their deputy friends pressed us first to hand over to them our emergency operations in connection with transportation and the procurement and distribution of goods. It was of course to the Mission's interest to conciliate these groups and to get rid of unnecessary and troublesome responsibilities. We devoted much time, thought, and discussion to the two purposes.

In connection with the Soviet barter proposal, we had taken the position that the Persian government should so far as possible limit its commercial activities. This kind of government was clearly unfit to be in business, and in general we had no liking for totalitarianism. To us Americans, private monopolies appeared equally indefensible; and in our minds the most obnoxious of all monopolies were the ones that represented a mixture of the public and the private. These were always in politics, and they amounted in practice to special privileges created, protected, and subsidized by the state.

We proposed to return commerce to private enterprise as soon and as rapidly as possible; but serious difficulties stood in the way of any rapid transition from a regime of monopolies to freedom of trade, especially in an oriental country during a period of war emergency and in the face of totalitarian Russia's demands for barter trade.

Accordingly, we moved slowly and cautiously; too much so to please the merchants; but in 1944 we had taken a number of steps toward real freedom of trade. These steps included

²⁷ When crowds were creating trouble and danger at the Central Store, the Minister of Justice telephoned Ferguson and threatened to arrest him on the ground that he was inciting revolution and not doing his job.

the freeing of grain transport already mentioned. Under the Full Powers Law, we terminated the anti-hoarding activities that had been started under legislation passed before our arrival and had become a useless vexation to the tradesmen and a source of graft for our employees and the public prosecutors. We abolished also the government monopoly of newsprint paper, as we had previously the control of fuel.²⁸

We partially freed the tea trade, an important branch of Persian commerce; but here we had to consider the domestic tea crop, largely grown in the North. This product of inferior quality had been purchased by the government at prices substantially higher than the superior imported tea. The Persian tea growers, strongly supported by their deputies, one or two of whom were interested in the industry, demanded that we either increase their subsidy or prohibit the importation of foreign tea. What we did was to permit the Persian growers to sell their tea freely in the market, and required importers to buy a quantity of the domestic product in return for the right to import. By this arrangement, we aimed to free the trade so far as we could without destroying a local industry.

The government purchased the domestic cotton production also, but the Ministry of Agriculture continued to handle this crop from the farms through the gins to the factories. The Ministry of Finance provided the funds, and under the Full Powers Law we reviewed and approved the contracts made by the Ministry of Agriculture, fixed prices, determined the quotas of the factories, and provided transportation. In the fall and winter of 1944, several conditions brought operations almost to a standstill: divided responsibility, corruption, and factionalism in the Ministry of Agriculture, the long-drawn out revision of a purchase monopoly granted by the Minister of

²⁸ It is interesting to note that at the time we freed newsprint paper, the UKCC had a consignment in the customs which it immediately offered for sale to private buyers. When the sale had been made but before delivery of the paper, we discovered that the pro-Soviet press had cleverly "cornered" the supply. Thereupon the UKCC at my suggestion arranged for the sale of a fair quantity to the anti-Soviet journals. Had this not been done, the latter would apparently have been killed outright.

Agriculture without my approval, and, finally, the obstructive tactics of a private ginning company whose past accounts were under investigation and which proposed to take full advantage of its monopoly position to hold up the government.

The government's tobacco monopoly applied to all phases and stages of the industry; and, before our arrival, the government had given to a private company the distribution of tobacco products for a period ending in 1944. In the fall of 1944, Mr. Nikpay, our Persian director of the Tobacco Administration, proposed to abolish this private monopoly of national distribution. In its stead we established local companies composed in large part of the local tobaccoconists. In a few places, including Teheran, intrigues and rivalries complicated matters; but in general this step away from monopoly was a popular one.

In the field of truck transportation, Mr. Shields and his associates with the help of British and American teams had markedly strengthened the Road Transport Administration; and in the fall of 1944 Shields reported that Persia had regained a sufficiency of truck transport and in his opinion the time had come to sell the government trucks to private operators, while retaining in the Road Transport Administration the power to fix rates, as well as certain regulatory authority to be enforced through control over tires. I communicated this sound proposal to the government.

Control of government automobiles and automobile tires, which had been unavoidably left on our doorstep, accounted for one of our most persistent headaches. It brought us into collision with the taxi drivers, a rough lot.²⁹ I tried to smooth relations with automobile-owning deputies who tirelessly demanded tires and obtained the permission of MESC and FEA

²⁹ The taxi drivers collected at the door of my house one morning and, when I refused to confer with them on the street, they followed me in a long rattling procession to my office. There they collected outside my door—not an uncommon practice among dissatisfied groups—and one of them, physically a truck load, forced his way in, with a completely dwarfed and thoroughly scared translator hanging on each arm. I told them to send a delegation to Shields, who handled their problem with rare diplomacy.

to supply them forty odd-sized tires. I wrote the Majlis asking that that body should allocate the tires; but my letter had a strange reception. The deputies felt that I had ridiculed them.²⁰ Continued insufficiency and depreciation of government cars ruffled our relations with government officials from the Court and the Prime Minister down. On the whole, however, they saw the exigencies of the situation; and on our part we pressed MESC and FEA for permission to purchase cars in the United States. Finally, late in 1944 the permission came, limited to one hundred used cars.²¹

It had been my desire to induce the Cabinet to participate more and more in our operations under the Full Powers Law, in order as soon as possible to transfer these emergency operations to the ordinary government agencies and for the further purpose of removing one of the pretexts for attacks upon us, namely, that our powers were dictatorial and in conflict with the constitutional principle of ministerial responsibility. We were gradually relinquishing our authority in various ways. I proposed to the Prime Minister the establishment of a Central Committee on Supply in which two or three of the ministers would be members, along with representatives of the three embassies, MESC, and my organization. In view of the approaching end of the war in Europe, I wrote the Prime Minister on May 28, 1944, suggesting various committees to make policy studies in the fields of foreign trade, foreign exchange, currency and banking, public works, agriculture, industry, and general economic planning. The Prime Minister did not discuss these proposals; but after almost three months' delay the

²⁰ In the course of the ensuing debate, the President of the Parliament made a speech from which I quote three sentences: "The honorable members are aware that as far as possible I do not take part in discussions. . . . This matter has given rise to insults being heaped upon the deputies outside, and even a number of chauffeurs have demanded that the deputies who have no cars should sell their tires to them. To throw more light upon the subject it is necessary to state that the deputies have not been given even a single tire."

²¹ The President of the Majlis, who had revealed so much sensitiveness on the matter of tires, had already requested the American Embassy to allocate an automobile to him.

Council of Ministers on August 15 established a Supreme Economic Council of 24 members with the Prime Minister himself as the chairman.²² The members of the Supreme Economic Council were never appointed.

CONTINUED ATTACK AND A DRAWN BATTLE

During the Soheily premiership, the Mission had been subjected to unorganized and intermittent attacks from a few newspapers and deputies.²³ During the first five months of the Fourteenth Majlis and the first four of the Sa'ed government, propaganda in the press and criticism in the Majlis—two sides of a single campaign—continued with increasing intensity and with growing evidence of source, organization, and motive. The hostile campaign dealt lightly with the rankling income tax, for the motives in that connection were too obvious; it concerned itself with the grain-collection program, as we have seen; but, for the most part, our critics concentrated their fire on our emergency activities under the Full Powers Law. In this field they evidently considered us most vulnerable, not only because of the complexity of our economic task, the slowness with which it had got under way, and the deficiencies that still existed, but also because the law under which we operated touched political prejudices, could be presented as hurting nationalistic pride, and appeared to justify constitutional objections. It became quite clear that the leading spirits or inner group aimed to destroy the Mission or at the least render it impotent. Some of the more active and less reserved already urged my dismissal or the dismissal of the entire Mission.

²² One editor congratulated the government "for having the ability, at least, to put its desires, ambitions, and ideals *on paper*." *Neday-i-Adalet*, Aug. 17, 1944.

²³ As early as July 1943 one editor denounced me as a would-be "dictator" (*Iran-i-Ma*, July 21, 1943), while another listed the causes of my "failure" (*Omeed*, July 26, 1943). One writer bemoaned the fact that Persia, wanting a protector, had called in "an indisposed, old, weak and ill Millspaugh and his horde of silly illiterate associates." Another imaginative journalist discussed "the epileptic Millspaugh and his mad colleagues."

Among the editors we had staunch and aggressive defenders.*

In the Majlis about a dozen deputies showed active and irreconcilable hostility, while we could count about an equal number of vigorous and firm friends who, in the main, leaned toward Britain with varying degrees of friendliness, but held to the policy of balance and close relations with America. Until midsummer, these friendly members had with them a somewhat uncertain majority of the Parliament.

On April 19, 1944 a number of deputies including most of the unfriendly ones proposed a special commission to investigate the American Mission. On April 27 I wrote the President of the Majlis that I felt it highly desirable to have close relations with the deputies and urged that a group of deputies meet with us from time to time for interchanges of information and views. I sent a follow-up several weeks later; but the deputies never investigated us or gave us a hearing on the subjects of their criticisms. Nevertheless, we met frequently with deputies and groups of deputies and endeavored to explain our position on special matters as well as on general problems.

Mr. Sa'ed, I think, was disposed to believe much of what our opponents said about us, and insisted that the Mission had "done nothing" in the economic field. Whatever the Prime Minister really believed, the clamor disturbed him, especially as deputies and editors criticized him for inactivity. Mr. Sa'ed had the idea of establishing a new ministry of economics; and I wrote him on June 1, at his request, a long letter in which I pointed out the impracticability of the proposal.

The Prime Minister finally took to the Majlis on June 22 a draft project for the repeal of the Full Powers Law and the transfer of our economic activities to the Ministry of Finance

*"When the deputies were holding up the income tax regulations, one of the ablest of our newspaper friends appealed to the Majlis: "O, you who attack all and sundry; that the roads are not safe; that tea is held up in the Customs; that this is not done; that . . . and a thousand 'that's'; be sure that these are but the reactions of your own doings. Look at your own Majlis! Is there anything like order therein? Any discipline? Any constructive thinking? Do you have confidence in one another? In yourselves? Are you talks anything but the ramblings of a rambler?" *Setareh*, May 19, 1944.

and other ministries; but he did not formally introduce the project; he merely offered it to the deputies for study. At this juncture, I wrote a letter to the Prime Minister, dated June 23, in which I stated my conclusion that the government's policy, in which I saw no prospect of reversal, made a continuance of useful and effective work in Persia impossible; and therefore I submitted my resignation to be effective six days later.

My feeling was that our financial success still vitally depended on doing the economic job, which could not safely be turned over to exclusive Persian political control. I was convinced further that if we quit that job under fire we would not only suffer a serious loss of prestige but would also encourage similar attacks on our financial authority, whenever we happened to antagonize any influential interest. Finally, I had ample evidence that the chief instigators of the opposition aimed at the Mission as a whole, in both its economic and financial aspects, and intended to weaken and destroy us piecemeal. In fact, as I had already informed Mr. Sa'ed, the government had repeatedly violated the law of my engagement.

I explained the situation to my associates of the Mission and left it to them to take whatever action they thought best. In the next few days, all the men, with three or four exceptions, wrote letters to the government or to me, endorsing my views and either submitting resignations or announcing their purpose to do so in case my resignation took effect. As in the previous crisis, the solidarity of the Mission added tremendously to the strength of my position. Moreover, the attitude taken by the Department of State and the American Embassy,²⁸ so far as it was known to Persian authorities, made an essential contribution to the strengthening of our position. Further help came to us from the United States Foreign Economic Administration, which, with the approval of the Embassy, withheld delivery of a number of trucks that had just arrived for the

²⁸ Shortly after the Teheran Conference, the American and British Legations were raised to the status of embassies.

Road Transport Administration, on the reasonable ground that, if I resigned, FEA would have no assurance of receiving payment.

Faced with these unexpected developments, the Prime Minister who had refused to accept my resignation conferred with the Majlis groups in an effort to find a "solution." As a device to save Mr. Sa'ed's "face" I wrote him a letter on July 2 in which I stated my desire to obtain three or four months time to show the government the results of our efforts. The Prime Minister took this letter to the Majlis; the deputies agreed to postpone consideration of the project; and I returned to work on July 4.

The Prime Minister erroneously reported that we had asked for and been given a three months' "respite"; but he adopted a more understanding attitude than in the past and made a special effort to give us co-operation and support.

I have already spoken of the steps that we took to relax governmental restrictions on trade and to place our economic activities in the normal framework of government as well as in private commercial channels. In the carrying out of this program and, as I hoped, to take some ground from under our critics, I wrote to the Minister of Finance on September 27, 1944, pointing out that the war with Germany was coming to an end and that the Full Powers Law had been passed as an emergency measure. The repeal of that law would be highly undesirable, since the government needed some months yet for the preparation of new economic legislation; but I proposed that the government submit to the Majlis a bill providing that the powers and duties prescribed in the Full Powers Law should be exercised in accordance with the law of my engagement. The Prime Minister took no action, possibly for good reasons; and, accordingly, in agreement with Mr. Zarrinkafsch, I issued instructions early in October that our economic activities would henceforth be conducted in the same manner as our financial activities, under the general supervision of the Minister of Finance

EBTEHAJ AGAIN

With Mr. Zarrinkafsch I took up a question that had been simmering for some time and had now become embarrassingly hot. This was the question of Ebtehaj, the Director General of the National Bank.

It was absolutely necessary that the Ministry of Finance and the Bank should work together in a friendly and mutually helpful way. That institution should have been, with respect to its part in public finance, what the Bank of England has been called, "for all practical purposes a junior partner of the Treasury." Because Ebtehaj and I maintained a close working relationship, the Ministry of Finance and the Bank did act as partners during the first year and well into the second. Between May and August, evidences of Ebtehaj's attitude convinced other members of the Mission and myself that he had now become an aggressive member of the opposition and that co-operation between the Treasury and the Bank had come to an end. With the idea of restoring our working relationship, I sent word to Ebtehaj that I wished to see him. He refused to call on me.

In view of this official's attitude and behavior, I found no course open to me except to dismiss him; and this I had a legal right to do under the law of engagement.²⁸ With respect to Ebtehaj, the leaders of the Majlis, whom I consulted, agreed with me, since it was their opinion as well as mine, that the Director-General had made the Bank a political instrument and was taking an active part in the campaign against the Mission. It was at this point that I took the matter up with Mr. Zarrinkafsch, and I found him also in accord with the proposed action. I then stated my proposal and the reason for it in a letter to the Minister dated September 7, 1944, a copy of which I sent to the American Ambassador. A month later I issued the dismissal order, and requested the Prime Minister to enforce it.

²⁸ The government had already recognized this right, particularly in the case of Jamal Emami, a director of the Mortgage Bank and a notorious politician, who after his election to the Majlis refused to resign his position in the bank.

Ebtehaj remained in the Bank, as I had expected, and disputed my right to dismiss him. The Council of Ministers discussed the matter in two different sessions, and although three or four of the ministers voted to support my action, the Prime Minister himself delayed action. The law of my engagement specified that any such dispute should be referred to the Majlis; but Mr. Sa'ed neither submitted the question to the Parliament nor accepted my contention. In the meantime, he had promised to get rid of Ebtehaj and afterward told me that he would have done so had it not been for the oil concession "crisis," which arose in October and which will be discussed later.

After the Mission's "crisis" in June, Mr. Sa'ed had leaned on the group represented by Mr. Seyed Zia and his friends, who supported the Mission. This group of deputies, however, had lost their nebulous majority; and those who had won the whip hand included the pro-Soviet deputies, as well as the members who made up what was called the Court Party. This majority had in reality two objections to Mr. Sa'ed: (1) he had resisted the Russians on the oil question, and (2) he had failed to destroy the American Mission."

Mr. Sa'ed's Cabinet fell on November 9, 1944.

"The following choice bit is quoted from a speech in the Majlis: "If we love our country it is because we are born and bred in it. I take God as witness that Mr. Sa'ed lacks the sense of patriotism that a noble Iranian has, because, if he leaves Iran at this time he would leave nobody behind him. He has shown his unconcernedness outwardly, too. His two daughters are married to foreigners, but you and I have families in this country. We have brothers and relatives here." Majlis, *Proceedings*, Oct. 29, 1944.

CHAPTER VIII

THE PASSING OF THE MISSION

The primary purpose of this chapter is to explain the circumstances and analyze the phenomena that brought about the passing of the Financial Mission. It is desirable at this point to be somewhat specific, not merely because of the human interest that the situation presented, but also and chiefly because of the additional and clarifying light that it casts on the nature of the Persian problem and the possibilities of finding a solution. We are still dealing almost exclusively with the Persians and their domestic behavior; but it must be kept in mind that foreign influences, positive or negative, were constantly at work and strongly affected the course and outcome of events. For the most part, our review of the foreign factors will be left to the chapters that follow.

WORK DONE AND UNDONE

The work of the Mission had been complicated and slowed by emergency conditions. Inflation burdened us with a central and explosive responsibility, while adding to the demoralization, apathy, and dishonesty of our employees. It was frequently necessary to select our key Persian assistants by trial and error, a process that took time and, when we made mistakes, provoked criticism. The Mission suffered from deficiencies and handicaps peculiar to itself and had to contend against mechanical difficulties partly due to the war—slowness of the telegraphic and postal services, absence of automobiles for the use of our officials, delaying for weeks and months the dispatch of inspectors and the transfer of provincial officials, and lack of proper housing for the financial offices in both the capital and the provinces.

In the fall of 1944 the Mission, in spite of the obstacles in its path, had pushed ahead with its comprehensive program and in some directions had made remarkable progress. This

progress continued into the winter. Assuring the food supply of the people had taken first priority; and the situation in this respect became the best in the modern history of Persia. Altogether we had on January 20, 1945, over 56,000 tons of grain in Teheran and a total of over 273,000 tons in the country, a reserve sufficient to feed the cities for ten months. At the same time further improvement had taken place in the quality of flour and bread.

Persia also had assurance of an adequate supply of the other staple commodities—sugar, tea, and cotton piece goods. With the exception of some items, chiefly those for which Persian merchants had made no applications, all of the quotas and allocations fixed by MESC had been taken up at the end of 1944. The Customs Administration reported continued increases in both imports and exports; and on January 1, MESC relaxed its controls to a certain extent. The distribution of monopoly goods, now well organized except in the Russian-dominated northern provinces, had passed from the status of an apparently insoluble problem to that of a routine operation; though it still presented complications and shortcomings, along with numberless opportunities for graft and obstruction. The tobacco monopoly had established its more equitable system of distributing tobacco products.

Internal transport facilities both road and rail had developed to a point where they met in a nearly normal fashion all of the essential transport needs of the country. The Road Transport Administration, finally supplied with spare parts and repair equipment, maintained and operated the government's trucks and automobiles on a relatively efficient basis. In accordance with our plan to transfer the trucks to private ownership, the Administration held its first auction.

Our control over the prices of grain, cotton, tea, sugar, and tobacco and over the wages of laborers in the government's factories and mines had promoted social and political as well as economic stability. Our Rent Control Administration

proved only moderately effective, but with other measures it had contributed to the elimination of real estate speculation.

The cost-of-living index substantially declined in September, October, and November, rising in December and January when our economic work passed to Persian political control.

From the financial viewpoint, it should have been a subject of congratulation that the government in this extraordinarily difficult time had maintained its solvency; and it was too much to expect that, while these conditions continued, financial operations could produce a surplus or even an orderly and stable budget. Yet, the preliminary figures suggested increasing budgetary control. At the end of nine months, that is on December 21, 1944, ordinary revenues when compared with the same period of the preceding year had decreased by about 23 million dollars, reflecting quite clearly the delay and obstruction that had hampered income tax collections. In the industrial-commercial field we made a much better financial showing, increasing receipts by about 29 million dollars. Operations in cotton piece goods, rice, sugar, tea, and tobacco, which were under our control, produced a revenue increase during this period amounting to about 32 million dollars. Thus our economic work accounted largely for the gain in revenue. The factories, mostly under the control of the Ministry of Commerce and Industry, were still losing money; but in the summer and fall of 1944, Harris of the Industrial Supervision Administration reported a marked increase in production at many of the plants.

When I left Persia on February 28, 1945, three weeks before the end of the fiscal year, the Majlis had not yet passed the current year's budget; and the government had carried on by means of month-to-month credits based on the preceding year's budget, supplemented by special appropriations based on the new budget. The situation, while a difficult one, offered some advantages, since it prevented much of the new or expanded spending that the ministries had estimated. On December 21, 1944 ordinary expenditure had been somewhat reduced,

and the total deficit stood at 7 million dollars, compared with 8 millions on the same date in 1943. It looked as if we were at least holding our own; and in the operations that were largely or completely under our control, we were achieving substantial results.

The Majlis, while failing to approve the budget, refused to pass a bill permitting us to sell silver from the currency reserve and replace it with gold of equivalent value held abroad. This procedure, aside from its stabilizing effect on the currency, would have brought a considerable profit to the government. The Treasury sold about a fifth of the authorized issue of internal bonds. It would have done better if the Majlis had voted its authorization promptly and if the National Bank had co-operated; but, as it was, the bond sales set a useful precedent.

In financial administration, we had still to conjure order out of confusion. Fiscal procedures, though under study, had been only slightly simplified and accelerated. No great progress had been made with respect to the settlement of land claims. Our civil service project still waited for a favorable atmosphere in the Parliament; while demoralization and dishonesty, though reduced and held in check, persisted among the public employees. Our inspection service sent scores of accused officials and employees to the Ministry of Justice for prosecution and trial; but they were acquitted or *nolle prossed* with discouragingly monotonous consistency. Much remained to be done before centralized purchasing could be called a success.

In general, economic and financial conditions would have improved much faster if the Mission had enjoyed the friendly support and active co-operation of the government and Majlis. Attacks on us in the Parliament and press and the failure of the government to defend us tended to shake public confidence in the Mission and to create uncertainty regarding the permanence of our authority and the duration of our stay. As a result, we found it difficult to win the loyalty of our employees or to wean them away from political and other allegiances. Quite naturally, having to look after their own future interests, many preferred

waiting to see which way the cat would jump, and in the meantime these many less courageous officials took care not to antagonize the politicians. Moreover, constant agitation over the income tax, grain collection, and other activities encouraged the taxpayers, landlords, and merchants to resist our enforcement measures and to continue their pressures and intrigues.

In the fall of 1944 conditions beyond our jurisdiction did not appear reassuring. Labor disturbances at Isfahan and other places culminated in violence and rioting. The police had not yet rounded up several gangs of cutthroats. A Kurdish revolt broke out. Sporadic disorder and increasing crime throughout the country paralleled and in part reflected the deterioration, confusion, and ill feeling at the capital.

Our long-term program looked to the eventual elimination of the opium business in Persia through the curtailment of poppy cultivation and the rigid supervision of sales. During the time at our disposal, however, the most that could be done was to carry on under pre-existing laws and regulations, with the result that a large part of Persia's production went into the illicit trade.

It was my hope to rid the government, so far as might be practicable, of its agricultural and industrial properties. Our project for the sale of the public domains, delayed by the government for months, reached the Majlis shortly after my resignation. With respect to the sale or lease of the factories and mines, circumstances precluded any action beyond the stage of preliminary studies. It was time to plan for the future of the railroad, and it appeared highly desirable that it should if possible be operated by an American railroad company. I hoped that eventually we might find a propitious time to attack the problem of private land tenure, in order to eliminate feudalism and absentee landlordism and to assist peasant ownership. It was my belief that these purposes could be furthered, if not fulfilled, through appropriately devised income and inheritance taxes, operating in co-ordination with other measures; but it would have been folly to submit such a program of reform to the governments and parliaments of 1943 and 1944. In

Persia, many impatiently demanded social legislation, and the deputies passed ill-timed and badly prepared labor laws; but always an unwritten and unproclaimed proviso was that social reforms should not touch the privileges or the pockets of the governing classes.

STRATEGY AND TACTICS OF ATTACK

When Mr. Sa'ed and the deputies agreed on July 3, 1944 to give the Mission its so-called "respite" of three months, the opposition proceeded promptly to plan a new campaign. Through the preceding eighteen months, the enemy had gathered recruits and learned much from his defeats. The new offensive was shrewdly planned, skillfully directed, and adequately financed.¹

The objective of this campaign was to get rid of me in order to destroy the essence and identity of the Mission, its power, unity, and will. The grand strategy adopted by the opposition took as its immediate aim the abolition of my economic powers. If such action did not bring about my resignation, the second step would be taken: namely, the withdrawal of my financial powers. To reach their first goal, the enemies of the Mission planned to carry on a continuous and overwhelming barrage of propaganda, to involve the Mission and especially myself in mistakes and difficulties real or apparent, to win over the Shah and make use of his authority, to deprive me of the support of the American government, to prevent other members of the Mission from standing with me, to deprive me of British support, to win over a majority of the Majlis, and to set up as Prime Minister a willing and serviceable tool for the administration of the *coup de grâce*.

Two of these purposes should be carefully noted. The enemies of the Mission took every possible precaution, as they thought, to avoid offending the American government or for-

¹A credible report came to me after the June crisis that the Soviets had been astonished by the strength and solidarity of the Mission and especially by the support that the British had given us; but now they (the Soviets) meant business and were going to get us kicked out at any cost!



PEASANT GIRL CARDING WOOL



AVENUE LEADING TO THE PARLIAMENT AT TEHERAN

feiting the friendship of the "noble gallant freedom-loving American nation." Thus they took the technically correct but scarcely realistic ground that the handling of the Mission was an internal affair of the Persian government and had nothing to do with relations between the two countries. Success in holding American friendship while establishing this technical contention would draw to the opposition many Persians who had little liking for the Mission as an effective working enterprise, but who desired to obtain army surplus property from the United States government and to use America as a political balancer and an economic Santa Claus. Success in this particular would, as our antagonists believed, preserve for Persia the economic and political advantages of American friendship and at the same time relieve the Persians of all obligation to put their own house in order. The second feature of the strategy, which aimed to prevent my American colleagues from standing with me and leaving with me, would help to hoodwink the American government. It was designed also to please those Persians who objected to "powers" on grounds of sovereignty, nationalism, or personal pride and those who honestly felt that American "advisers" would be sufficient, as well as other Persians who wanted to keep a "token" mission for symbolic or scapegoat purposes.

Occasionally presenting a few bits of truth and rational criticism, the irreconcilables of press and Parliament went on from one extreme to another, running through their entire repertoire of exaggeration, distortion, misrepresentation, slander, ridicule, petty personalities, appeals to racial, religious, and political prejudices,² and declarations in defense of national prestige.

² One of the leaders of the opposition, Dr. Amini said in the Majlis: "The assignment of powers to advisers coming from a promiscuous race, to advisers who are descended from refugees who went to America from Europe, is against the interest of the state and society." At this point three friends of the Mission interjected: "No! No! Do not insult the Americans and America!" "This is my private opinion," continued Dr. Amini, "and we are all free to express what we believe. Anyway, the habits and customs of this nation do not tally with ours. Their behavior is rough and rude." *Majlis Proceedings*, July 17, 1944.

The various statements, made and repeated as if they were facts, form a curious collection. The self-styled friends of Persia declared that we not only had done nothing, but had brought incalculable damage to the country.³ One of the literary experts in administration found our Distribution Section "a grand Zoo in which are housed all specimens, new and old. In it are found coquettish young things, ugly old maids . . . flirting with the male staff . . . all that they do now is coquetry . . . learned from the Yanks. . . . Can such a place be called by any other name than a house of ill-fame?"⁴

After the oil concession affair in October 1944, the pro-Soviet press brought these new and entirely fictitious charges against me: that I supported international companies and capitalists; that I had negotiated with American companies about northern oil; that I was harming Persia's relations with foreign countries; that I actively worked to destroy the good relations of Persia with the Soviet Union; that because of incapability and personal spite I was creating economic spheres of influence in Persia; and that I had tried to reduce the country to utter financial and economic bankruptcy so as to force the government to borrow from foreign capitalists, giving to them as guarantee the country's "sources of wealth."⁵ Deputy

³ One editor, obviously lacking a sense of humor, accused us of introducing so much confusion into the departments that a great deal of time and labor would be required to bring them back to their original state of normality. *Firman*, Aug. 31, 1944. A reminiscent scribe observed: "Unfortunately Millspaugh did nothing for the country. Not only that but damages wrought by him were so tremendous that the greatest and most important Iranian newspapers wasted many of their pages describing these evils." *Iran-i-Ma*, Nov. 14 1944. Deputy Amir Teymour declared in the Majlis that I had brought a loss to Persia of 20,000,000,000,000 rials, equal to about 700 billion dollars, many times the total national wealth of the country. *Majlis Proceedings*, Nov. 30, 1944.

⁴ *Demavand*, July 19, 1944.

⁵ *Iran-i-Ma*, Nov. 14, 1944; *Teheran Mosawwer*, Feb. 5, 1945; *Rahbar*, Dec. 25, 1944. Deputy Abdoh declared in the Majlis that I planned to stop the cultivation of sugar beets, tobacco, and cotton so as to create a market for "colonizing governments." *Majlis Proceedings*, Jan. 2, 1945. A well-known pro-Soviet hack exclaimed: "When will that day come when you foreign ill-willed leeches remove your fangs from our economic blood-vessels?" *Iran-i-Ma*, Oct. 30, 1944. Another editor lamented: "The Iranian

Kambaksh said that he could summarize the whole of the doings of the Administrator General in a single sentence: "Dr. Mills-paugh is commissioned by certain capitalists to destroy Iran's industries and agriculture and in general the economics of the country that he might provide markets for those said capitalists after the war is over."⁶

Along with their barrage of propaganda, the intriguers, who included certain of our own employees, busied themselves to create situations which would embarrass our operations and put us in a false light.⁷

CAUSES, SOURCES, AND MOTIVES

For the causes of this opposition, we must look both to the Persians and the Russians. Its connection with Soviet policy

nation undoubtedly loves the American nation, but alas! the policy adopted by Mills-paugh harmed everything and danger exists that the very foundation of Irano-American friendship may be damaged." *Najaf-i-Iran*, Oct. 30, 1944.

⁶ *Majlis Proceedings*, Dec. 3, 1944.

⁷ The following printed in a friendly paper is an interesting and fairly reliable report of certain of these practices: "Since a month ago, the Section of Distribution has been trying its best to effect fair and general distribution of all monopoly goods; but, when talk of Dr. Mills-paugh's powers abrogation is in the air, a strange scene is going on in the Baharestan branch of cloth distribution, in the vicinity of the Majlis.

"The personnel of the branch is troubling the people to the point of desperation! They work for only two or three hours per day. They do not give two yards of white cloth to the poor women who ask for the same; but in their presence they sell it in pieces and pieces to the Jewish merchants. In reply to the protests of the poor women, they abuse and call them evil names. At the same time in the corners and various other parts of the shop stand persons of questionable honesty who shout loudly: 'All these are Mills-paugh's faults!'

"Yesterday; when Mills-paugh's powers bill went to the public session of the Majlis, this activity was specially intensified . . . the store opened but no one was allowed to enter it. About five hundred people gathered there, men and women, and all made a long line at the door and crowded the pavement and part of the road before the Majlis. They all shouted in protestation against the store personnel, at the time when the Deputies were coming to the Majlis! At this time one or two men who had commissions to make the crowd more angry stuck out their heads from the shop windows and said to the women: 'With your "chadarnemaz" (the long veil) you have all come from the houses of ill-fame: you are all street-walkers!' They also abused the people most vilely and then some men came to walk up and down shouting: 'All these are the results of Mills-paugh's being here!'" *Maihan*, Dec. 24, 1944.

will be dealt with more fully in a later chapter; but, aside from this foreign source of inspiration and support, the movement against the Mission could be traced to various Persian conditions, feelings, and interests. The psychological, moral, and political conditions described in Chapter VI go far to explain why the campaign originated, why it assumed an intense and irrational character, and why it grew in strength and finally succeeded.

The existence of world war, the presence of Allied armies, the menace of a seemingly runaway inflation, the threat of famine, the insufficiency of the Mission at the start, and the slowness with which it grew to adequate size, in addition to innumerable lesser difficulties, including Russian opposition and obstruction, made it impossible for us to produce spectacular results or even for several months to offer to the simple-minded deputies and public any convincing demonstration of usefulness or progress. Persians expected sudden public miracles or substantial private benefits. We could neither overawe with miracles nor bribe with benefits.

It must be said, too, that the Mission had real and conspicuous deficiencies, of such a nature as in a measure to affect its usefulness and hurt its reputation. To a degree these deficiencies were to be expected, in view of the time and the circumstances and especially in view of the method of recruiting that we had been forced to employ. It was impossible, however, to explain these difficulties to the Persians or to induce them to make reasonable allowance for these or other adverse factors. Neither could they see, apparently, how the Mission had been administratively handicapped and retarded by the obstruction, the nonco-operation, and the unfair and destructive criticisms of the Persians themselves, as well as by the difficulties that the Soviets had created in the North.

The opposition got its initiative and drive from certain groups of commercially minded individuals among the deputies, the politicians, and the private merchants, including former profiteers, monopolists, and exploiters. Our tax program, as

well as our economic activities, aroused the hostility of a number of more or less influential landlords and merchants. These were reported to have contributed substantial sums to the campaign against the Mission. Then there were economic hangers-on of various descriptions. We had also antagonized many deputies from the standpoint of their political, as well as their personal, interests—those who wished to act as brokers for governmental jobs and favors and desired to maintain their provincial “machines.” Grafters, large and small, wanted license to steal and looked hungrily and impatiently at our tempting stocks of grain, sugar, tea, piece goods, and tires. The military clique wanted big and bigger appropriations for the Army. The professional politicians who transitorily occupied the cabinet positions were in most cases lukewarm and in some cases actively hostile, because our control over expenditures and personnel denied them the full freedom that they desired to carry out their plans whether good or bad. Our critics included a number of sincere and well-intentioned men, in some cases misled by propaganda, in other cases influenced by anti-foreign and nationalistic demagoguery, or by a misplaced fear of dictatorship, and in still other cases drawing honest if shortsighted conclusions from shortcomings in some segment of our work or from ambiguous situations into which my associates or I had been drawn.

In general, the ideas and actions of those who were in the forefront of the opposition bore no relation to the “failure” that they charged us with. On the contrary, the progress that we were making actually stimulated the attack upon us. As time passed, the politico-economic racketeers saw that we intended if we could to regularize economic affairs, eliminate favoritism so far as possible, and combat totalitarianism. The Soviets saw this, too; and neither the Russians nor the specially interested Persians could run the risk of letting us work in the country much longer.

In the last phase of the attack, the propagandists brought two new and serious charges: first, that I had taken sides in

domestic politics, and, second, that I had interfered in foreign affairs. Either of these charges, if actually believed, would go far to explain and justify some of the opposition from the Persian as well as the Russian side. The fact is that we maintained in thought and purpose an attitude of strict neutrality in politics, both internal and external. We found it difficult, however, to act precisely the same toward all Persian politicians and factions or toward all foreign authorities; for some came to us with evidences of sympathy and friendliness and with reasonable requests, some in a spirit of criticism or with impossible demands, and some did not come at all.

With respect to domestic politics, it had been my hope to find, as I had found during my previous service, an intelligent and well-disposed group in the Majlis to whom I could explain the problems and difficulties of the Mission and who in turn would give us counsel and interpret the Mission to the Majlis. Such a relationship was especially necessary now, because of the weakness of cabinets and their unwillingness to defend us in the Parliament. Deputies, individually or in groups, came daily to me or to my colleagues with personal requests or matters affecting their constituencies. I called on many with the idea of smoothing out misunderstandings and obtaining their co-operation. Among these was Seyed Zia Din. The pro-Soviet Toodeh party tagged him as an enemy and pinned on him the labels of "capitalist" and "fascist." He offered me his wholehearted support. I had many conferences with him, usually in company with other friendly deputies. During the Sa'ed premiership, this group gave the Mission valuable support.

On the other hand, Seyed Zia's political methods were questionable. He hoped undoubtedly to establish with the Mission a relationship in which we would become a wheel in his political machine, and he conveyed the impression to other deputies that he had special influence over me. As a matter of fact, I treated his requests the same as I did those of other deputies, accepting some and rejecting others. Incidentally, I dismissed one of his

prominent henchmen from office and refused to make appointments that he requested. Nevertheless, the appearance of a political relationship between us undoubtedly strengthened, though it did not account for, opposition in the Majlis; and this same appearance stiffened Soviet hostility and probably contributed to the coolness of the Court. Even my meetings with three or four of the outstanding deputies probably did as much harm as good, for the deputies in general resented leadership, and they and the newspapers called those who were making efforts at leadership the "self-appointed trustees" of the Majlis.

One other unhappy phase of our adventure bordered on the domestic political field. To the half-starved editors of Persia, government notices and advertisements often marked the difference between life and death. The Prime Minister's office had been distributing this largess in growing volume but with diminishing political returns. Mr. Soheily quite shrewdly offered to transfer this hot potato to me, and, with the best of financial intentions, I accepted. In the interest of economy, we reduced the list to the half dozen papers of largest circulation, excluding the *Mehr-i-Iran*, which owed money to the government, and one or two others that slandered to the point of indecency. The result appears in the following quotation:

Our dear readers know how for the last two months Dr. Mills-paugh, the economic and political dictator of Iran, has deprived National newspapers of the benefit of government advertisements, giving the same to five or six impartial or sympathetic newspapers. . . . Readers know how the Nationalist newspapers are in financial distress, how they make great sacrifices. . . . Just look at the long advertisements given by Mills-paugh to the papers that support him . . . sending the advertisements as bribes, and discover for yourselves a thousand delicate significances. . . . This gives you an indication how Dr. Millspaugh is mysteriously and secretly linked with the Reactionary Front. . . ."

At about this time we were working out a regulation to restrict the notices and to apportion them among a larger number of

^a *Rastakhiz*, Aug. 3, 1944.

journals according to circulation; but this arrangement in all probability satisfied no one.

With respect to the charge that we interfered in foreign affairs, the facts were that we did not, except as economic and financial transactions within our jurisdiction might incidentally affect foreign affairs. In the view of the Russians, as their Ambassador remarked to me, most economic matters were also political. Since suspicion regarding my international impartiality came from the Russians and from the pro-Soviet Persians, I shall take up this matter in a later chapter.

DEFENSE AND COUNTERATTACK

In spite of the opposition just described, it was certain that a vast majority of the Persian people preserved toward the Mission and myself feelings of real friendliness and confidence, wanted the Mission to stay, and had no particular objection to its authority or its setup. Except for the complaints and intrigues of the rich factory-owners in Isfahan and a few demonstrations instigated by the Soviets in the North, no opposition of any more than routine importance or normal nature appeared in the provinces. The masses of villagers and tribesmen gave us many evidences of gratefulness and affection. Even in Teheran we appeared to have a majority. Judged by the standards of good and bad applicable to Persia, the best deputies and editors and the best of our administrative officials stood by us with reasonable consistency, and the friendly editors fought for us to the end. To the credit of the deputies on our side it can be said that they never stooped to the vulgarity and disorderliness of the opposition; but it may be feared that their dignity served no useful purpose in the kind of assembly that the Majlis had become. To a large extent also, our friends in the Majlis were preoccupied with their political affairs and were intimidated by the opposition. They showed the same tendency to postpone fighting and to find excuses for not fighting which had largely accounted for the termination of the second American Mission and the rise of dictatorship.

A major difficulty was that the opposition consisted of men who were moved by immediate political or economic self-interest. Our friends were expected to act from motives of long-range interest or from considerations of the general welfare. Such factors in Persia are not compelling. Our majority, therefore, consisted largely of inarticulate or silent elements, unrepresented or misrepresented by the government and Majlis. Those of our friends who could have made themselves heard and possessed intelligence, honesty, and patriotism lacked conviction, courage, energy, and organization. They were suffering from the ancient Persian weaknesses and from the effects of dictatorship and its aftermath quite as much as our enemies, though in a somewhat different way.

We were urged to conciliate and compromise. So far as seemed humanly possible in the presence of the pressures and emergencies that daily beset us in the prosecution of our task, we gave consideration to Persian sensibilities and made repeated and substantial concessions to those who had differences with us. In fact, our concessions may have gone so far as to hurt our prestige.

In the doing of our job, we were necessarily bound to proceed tactfully, with due attention to the requirements of courtesy, and with thoughtful consideration of the customs of the country and the feelings of the people. Work in the Orient makes peculiar and excessive demands on one's tactfulness because of the emphasis on formalities and the sensitiveness and pride of the people; and, in the case of foreigners who do not know the language, the difficulty is magnified by the fact that, in most instances, they must speak through interpreters and write through translators. Nevertheless, when a foreigner employed in the Orient meets with opposition or failure, it is the custom of commentators to charge it all to "tactlessness." This superficial explanation may be in some cases the fair one; but in other cases it misses the point entirely. Those who make this quick and easy explanation are usually the ones who have had no experience in the kind of a task

which they assume to appraise; and in most instances they look on the situation and its outcome from the outside rather than the inside and from the standpoint of the diplomat rather than the executive.

A financial executive, above all one who works in Persia, soon discovers that tact is efficacious only within limits, and that these limits are narrow indeed when one works in a degenerate environment and in the midst of an incredible aggregation of selfishness, greed, corruption, and childishness. In the carrying out of his financial program, he will act and speak courteously, listen patiently, make concessions here and there, accept compromises, consider the question of timing, and put up with postponements; but sooner or later, if he has a proper sense of responsibility or desire for accomplishment, he must come to a final decision, take a definite stand, and adopt positive action. In Persia, tact in its broadest sense is usually construed as weakness; and tact in either the broad or narrow sense never collects money from the greedy or keeps it away from grafters.

Persian prime ministers and ministers had a way of "getting along," but each had his accumulation of enemies, and we have seen how long they succeeded in holding their offices. We could not use their methods; and if we had descended to their level, we would have lost our genuine friends without satisfying our natural enemies.

While fulfilling our primary administrative responsibility, we had a right to expect the prime ministers and ministers of finance to defend us in the Majlis and against press attacks; but during the period of two years, no prime minister or minister of finance spoke more than two or three times in the Majlis in defense of the Mission or in denial of the misrepresentations of our work.

The government suppressed newspapers nearly every day; and one may guess that, had British or Russian citizens been attacked as we were, the concerned embassy would have made immediate and emphatic protest, with the result that the offend-

ing newspaper would have been suppressed or led to mend its ways. Yet the government showed itself quite complacent in the face of the propaganda against the Mission. The Ministry of Justice appeared more interested in helping to demoralize our Persian employees and threatening their American chiefs with prosecution than they were in taking steps to protect us from slander. Freedom of the press seemed to mean, for the most part, freedom to attack Americans.

We were urged to undertake countermeasures and counter-propaganda. The fight was not ours. It was the Persians'. We had come to Persia to do a job, not to battle for the opportunity to do it. But beyond doing the job we did attempt many countermeasures. The chief of these was to meet with deputies for the discussion of our and their problems. Except during the final crisis, the Majlis commissions usually asked us to attend their sessions when financial matters were under discussion. I failed, however, in my repeated efforts to obtain a special committee to discuss with us the general work and problems of the Mission. No one could reach the Majlis through its leaders, because it had no leaders; and one could hardly find time for conferences with 80 or 100 individual deputies. The most rabid of our parliamentary critics refused to see me at all. So far as I can recall, only one of the deputies who spoke against us made any effort to hear our side of the case and check the accuracy of his information. Deputy Farhoodi, one of our friends, presented a shining contrast. When the question of repealing the Full Powers Law was before the Majlis, he proposed that the problem should be studied, that the studies "should be absolutely removed from the atmosphere of hooting and generalities," and that the final judgment should be based on facts and figures. "We should follow the method in force in other countries," he urged. "I am especially concerned that investigation and research should be applied to this problem."*

The Ministry of Finance published my monthly reports in

* *Majlis Proceedings*, Jan. 4, 1945.

both Persian and English; but these were in no way adapted to serve as counterpropaganda.¹⁰ We set up a news service in my office, and MESC (Teheran), then under American direction, helped in the preparation of press releases. In other ways, we endeavored to promote publicity of the facts; but we were not and could not be equipped to counteract the opposition propaganda.

REPEAL AND RESIGNATION

When Mr. Sa'ed resigned on November 9, the deputies indulged in a good deal of maneuvering and shadow-boxing. At the time of the change of government in March, the pro-Soviet Toodeh group had endorsed Dr. Mossadegh for the premiership; and in November the new Majlis majority—pro-Court, pro-Soviet, and anti-Mission—turned again to him. This emotional statesman, who on one occasion had burst into tears in the Majlis, expressed his willingness to become Prime Minister, but only on condition that he retain his seat in the Parliament, a condition quite impossible of acceptance under the constitution.

Thereupon, the Majlis groups took under consideration a miscellany of prospects. Finally, on November 20 someone touched a hidden spring and Morteza Gholi Bayat, who later spoke of himself as a "man of principle,"¹¹ popped out of the box, tagged with the endorsement of the majority. These

¹⁰ In the beginning the newspapers republished the reports with long articles commenting on the contents. Later, these documents lost their novelty, and, as we settled down to the presentation of more or less standardized data, the contents became "dull" and "monotonous," as editors expressed it. The following remarks in the Majlis seem worth quoting:

Dr. Abdoh: "If you want to know Millspaugh's personality, this very Report published by him for Mordad is enough—"

Mr. Tehrani: "Ten thousand tomans must have been spent for that."

Dr. Abdoh: "Perhaps more! Eight of its pages give you the addresses of the Finance officials. The last page is devoted to some other matter. And the whole machinery of the country's finances and economics have been dismissed in the remaining pages!"

Mr. Etebar: "Why read it? It will only waste time." *Majlis Proceedings*, Nov. 30, 1944.

¹¹ See note on p. 87.

maneuvers had taken eleven days. Putting the Bayat Cabinet together took six days more; and for eight days the deputies debated the new government's platitudinous program.

Having done their parliamentary duty with such commendable dispatch, the opposition deputies now insisted that Mr. Bayat make quick work of my economic powers. Evidently no time could be lost, and during the debate opposition deputies showed increasing impatience. When Mr. Bayat closed the debate, the deputies forced him to accept a time limit of ten days.²³ Opposition deputies had already prepared a project for the repeal of the Full Powers Law and forty-five deputies had signed it.

Since the first appearance of serious opposition to the law, I had taken occasion in conversations, letters, and published material to present arguments against its repeal.²⁴ In a state-

²³ The following is quoted from the debate:

Mr. Bayat: "The case of the Administrator General of the Finances, to which the Honorable Deputies referred, will be decided."

Dr. Mossadegh: "You must fix a time for that."

Mr. Bayat: "I said that I would do it within a few days."

Dr. Mossadegh: "Fix the time definitely."

Mr. Bayat: "I will settle the case within ten days. (Hear, hear. Thank you!)" *Majlis Proceedings*, Dec. 4, 1944.

²⁴ These were briefly stated in a letter to the Minister of Finance dated Sept. 24, 1944:

"Fully realizing that this Law was strictly an emergency measure, that Government monopolies and controls are not in principle desirable, we have already taken steps to abolish or reduce certain of the powers granted in that Law; and it is our purpose to proceed, step by step, wherever possible and as rapidly as possible, to relinquish these extraordinary controls that were entrusted to us.

"Demands have come from some quarters that this Law should now be repealed. In my opinion, such action would be a most serious mistake. The Law provides in many respects an adequate and in all respects a flexible and adaptable means to meet changes in the international economic situation. So long as world shortages exist in the supply of essential goods and so long as international controls remain, it is necessary that the Iranian Government should retain the means to regulate foreign trade and to insure to the people of Iran an equitable distribution of staple goods at fair prices. If the Law of 13 Ordibehesht 1322 were now abolished, it would be necessary to execute the old Laws, which were full of defects and which were proved to be failures, or to prepare and enact new Laws all at once. In my opinion, the Government needs some months for the preparation of new economic legislation. If the Law of 13 Ordibehesht 1322 were now repealed, the Government's economic organization and administration

ment published on October 5, 1944, I requested that the Minister of Finance¹⁴ and I have conferences on the subject with the deputies. I had three long talks with the Prime Minister on December 7, 9, and 13, and informed him that we had proposed to the previous government the formation of a commission to study the economic laws and prepare a revised code to meet the country's postwar needs. He seemed unimpressed by this proposal, as well as by my suggestion that the deputies who criticized our work should give a hearing to my associates and myself. On December 13 he had his project ready and took it to the Majlis a day or two later. Neither he nor the Majlis commission to which the bill was referred invited me or any of my colleagues to attend and give our views.¹⁵ The friends of the Mission delayed the legislation¹⁶ and kept some objectionable provisions out of it. The Majlis passed the revised project on January 8, 1945. Out of 94 deputies present 68 voted for it, 6 voted against it, and 20, though against the bill, abstained from voting.¹⁷

would be thrown into confusion and chaos and our relations with the Middle East Supply Center and the U. S. Foreign Economic Administration would be disrupted, just at the time when procedures have become established."

¹⁴ Mr. Bayat appointed as Minister of Finance Mr. Amanollah Ardalan (see p. 93).

¹⁵ The commission, doubtless with the Prime Minister's modest assent, decided to transfer my powers to Mr. Bayat himself. It was reported that a member of the commission asked the Prime Minister what plans he had for economic administration. He is said to have replied: "I will go into seclusion for five days and meditate on the problem and then will I emerge with an excellent plan."

¹⁶ Dr. Shafagh urged the need for cool consideration, pointing out that it was not easy to establish normal conditions in abnormal times; and he closed with the words: "Do not hand over the economic organization to a number of thieves." The Prime Minister rose, his face red with anger: "I protest against the latter part of Dr. Shafagh's speech. In my opinion Iranians are *not* thieves, and you, Sir, have no right to represent them as such." At this, Deputy Rahimian shouted; "Americans are thieves, not Iranians!" Then the Prime Minister added: "I had certain views regarding the powers of the Administrator General and, had I been authorized to deal with the matter, I would have studied the subject further." *Majlis Proceedings*, Jan. 2, 1945.

¹⁷ When the President of the Majlis announced the vote, Amir Teymour exclaimed: "Thank God! This disgraceful document is torn!"

The new legislation repealed the Full Powers Law and transferred to the Council of Ministers the organizations set up under that law dealing with grain and bread, monopoly goods, import and export licensing, rent control, road transport, and control of government-owned motor vehicles and tires. Since the new law took effect on the date of its enactment, the Council of Ministers, wholly unprepared and without experience or plan, had to take over at once the direction of these complicated nation-wide operations. The law further required the Prime Minister and the Ministers within a month to adopt one of the following actions with respect to any of these organizations: (1) dissolve it, (2) transfer it to a ministry, (3) set it up as a ministry of economics, or (4) establish it as an independent administration, presumably in the form of a government corporation. As if this were not sufficient, the law commanded the government to create a Supreme Economic Council, to draw up within three months a scientific economic plan, and to adopt measures for preventing the escape of capital from Persia, for increasing exports, and encouraging investment of capital.¹⁸

¹⁸ The following are excerpts from an editorial, written by a discriminating friend:

"We must wait and see what the successors of Millspaugh succeed in doing in the future. If it is true that history repeats itself we are not optimistic about the future. We cannot forget that they brought Millspaugh because they themselves could not manage affairs, and we are sure that in the meantime they have gained no ability for doing things. . . .

"What is certain, after all is said and done is this: Dr. Millspaugh had perseverance and firmness in his plans, would not allow himself to be made a tool of others and never allowed the deputies and the influentials to play as they liked with his departments. . . .

"Just visit these departments from curiosity on the day succeeding this and see how these departments are turned into coffee-houses for the deputies; how the aunts and nieces of the deputies succeed the present sincere employees; how key positions go to those who wield the greatest influence; how ability and efficiency are divorced from the offices. Sure enough the hue and cry raised by them had something behind it—the deputies demolished the structure because they could not influence its activities, because Millspaugh's departments were independent and influenceproof.

"One who can keep himself pure amidst this degeneracy is an angel, and such angels there are many in our country. But the Government does not know them, for black and white sheep are so mixed in our offices that the authorities cannot recognize them. . . . Thus far, our authorities when weighed have proved to be more wanting than the most depraved of their

Under the new law, the Council of Ministers could assign the economic organizations to the Ministry of Finance, where the Mission could have continued to direct them under the supervision of the Minister of Finance. I proposed to Mr. Bayat that this be done. He refused, but promised to consult with me constantly in the development of his economic reorganization and program. After the first day, he did not consult with me or with any of my colleagues. Under the terms of their employment, none of my American associates could serve in these organizations after they had passed from my control, and Persians immediately took full charge.

As I had told the Prime Minister, the opposition campaign, which had concentrated its fire on my powers or myself, had as its ultimate objective the destruction of the Mission. Several months previously, I had informed the Department of State of my personal desire to leave the job; and my hope was that the American government would take steps to maintain the continuity and character of the Mission and as an essential means to this end would give me support until I could step out without damage to the Mission, to the progress of its work, or to American prestige. During the debate in the Majlis on the Full Powers Law, I might have submitted a resignation as I had at previous times of crisis in October 1943 and June 1944. I did not do so, because I knew that such action would merely play into the hands of the opposition, since I had no assurance of support from the United States government and, because of views communicated by the Department of State, I could not count on concurrent action by my American associates.²⁹ Consequently, my resignation would have had no effect on the course of events, except to precipitate with reference to

subordinates. We have an old saying that the fish begins to stink first at the *head*. It has been our opinion that the Iranian nation is a decent, healthy, intelligent, and honest nation. But we are at present suffering from a disease: the blight of having a number of authorities who are so silly as to think that intelligence and wisdom lie in dishonesty and fraud, deceit and faithlessness. . . ." *Kaihan*, Jan. 10, 1945.

²⁹ See pp. 226, 228.

the Mission precisely the situation that I wished to avoid or postpone, if humanly possible.

It soon became evident, however, that unless conditions speedily changed in the Majlis, the government, and administration, we could not continue to work with any hope of success. Progress in the financial field depended on orderly, honest, co-ordinated, and planned action in the economic field. Moreover, in Persia when you lose power you lose prestige, and when you have lost prestige, nothing can be gained by hanging around and hoping. Moreover, the Ebtehaj case had not yet been settled. Mr. Bayat contested my right to dismiss the Director-General of the Bank and failed to send the dispute to the Majlis as the law required. The Minister of Finance finally did submit the question to the Parliament; but, even so, I had convincing evidence that Mr. Bayat's majority intended to follow the usual tactics of delay. The situation was made worse by the fact that in passing the law regarding government "organizations," already referred to,²⁰ the Majlis had cancelled one important provision of my contract, while other violations by the government, as well as the general nonco-operative attitude of the Persian authorities, called for correction before we could expect to work effectively.

Accordingly, I prepared a statement which I read in English to the Council of Ministers on January 27, 1945, and which Assad read in translation, listing the conditions on which I would remain in Persia. These conditions boiled down to (1) that the economic organizations be placed in the Ministry of Finance; (2) that Ebtehaj be put out of the Bank; (3) that in various other matters, which I stated specifically, the government should help the Mission; and (4) that the government would observe its obligations under my contract. Mr. Bayat refused to accept any of these conditions.²¹ My resigna-

²⁰ Pp. 115-17.

²¹ On February 9, a majority of the Majlis gave a conclusive demonstration of its feeling that Mr. Bayat had served it faithfully. He read a portion of our correspondence and, after he had finished his concluding letter, from all parts of the house came "Hear! Hear! Bravo! Thank you! Very good! Applause." *Majlis Proceedings*, Feb. 9, 1945.

tion became effective on February 15, and I left Persia on February 28, accompanied by Paul W. Gordon, who as Provincial Director at Meshed had met the same complex of difficulties that had engulfed us at Teheran.

About a third of the Mission followed me out of Persia. Those who remained automatically became "advisers," without a head and without unity, working, to the slight extent that jobs were assigned to them, under the direction of the Minister of Finance. These Americans no longer constituted a mission. Some of them attempted to recreate the semblance of a unified body, but dissension broke out and their efforts in this direction, like their connection with the Persian government, served no useful purpose. As a matter of fact, they had no legal status in Persia, since they had been engaged with responsibility to the Administrator General of the Finances. Persian officials talked of doing something to regularize the status of my former associates and provide them with opportunity to work; but nothing happened and, finally, in September 1945, the Department of State advised all of them to return to the United States or obtain new contracts approved by the Majlis. All, or practically all, left Persia.

POSTLUDE

The final economic and financial effects of the government's handling of the economic organizations could not be estimated on the date of my leaving. Confusion and inaction at the top and disorganization and damage from top to bottom went on for four or five months. Then the organizations were placed under the Minister of Finance. The merchants and landlords came out into the open and accelerated their drive against the Income-Tax Law, forcing a change either in the law or in its enforcement so as to satisfy the privileged classes. According to the meager information available, Persia's economic and financial situation remained precarious during 1945 and into 1946.

Having succeeded in eliminating me and emasculating the Mission, the opposition deputies had no further use for Mr.

Bayat and, after getting as many political and personal favors as they could, they turned against him. When he saw the handwriting on the wall, he threatened to expose the deputies; but thought better of it and, when he failed to obtain his vote of confidence, this "man of principle" left the premiership with the bitter protest to which I have previously referred.²² Mr. Bayat resigned on April 18, 1945, and it was not until May 3 that the deputies found a successor. Mr. Ebrahim Hakimi, an honest but undistinguished man of 76 years, lasted about two weeks, giving way to Mr. Sadr, a former Minister of Justice. He resigned in October 1945 and the job again went to the aged Hakimi. During the premierships of Mr. Sadr and Mr. Hakimi, the Persian government pressed for the removal of all foreign forces; in November 1945 rebellion broke out in Azerbaidjan; the Soviet Army blocked the movement of Persian troops; and the Persian-Russian issue, now brought into the open, came before the United Nations Security Council in January 1946. While the matter was pending, pro-Soviet elements succeeded in bringing about the fall of the Hakimi Cabinet. Mr. Ghavam again became Prime Minister on January 27, 1946, and shortly afterward the Security Council returned the matters in dispute to "direct negotiations" between the parties. On February 14 Mr. Ghavam had completed the formation of his Cabinet, and five days later he arrived in Moscow at the head of a Persian mission consisting largely if not wholly of men known to be "friendly" toward the Soviet Union.

Disorder continued in and about the Majlis. Conditions in this respect apparently became worse because of the overshadowing international question and a resulting sharper re-drawing of party lines, with heightened ill feeling. The Kurds revolted. Fighting occurred also in the Majlis and on one occasion in February 1946 the military governor had to be called to restore order. Elections, which should have taken place in the fall of 1945, were unconstitutionally postponed

²² See note on p. 87.

until the removal of all foreign troops from the country. The Majlis, whose life is limited by the constitution to two years, came to an end on March 11, 1946; and during the last three or four days a pro-Soviet mob blockaded the Parliament and prevented the assembling of a quorum. This maneuver, which incidentally cost two or three lives, left Mr. Ghavam and the Soviets free to govern and to bargain without fear of parliamentary action and also free, unless the Shah and the Army intervened, to control the election of the Fifteenth Majlis. Mr. Ghavam had Seyed Zia arrested; and after a few days of "protective custody," this outwitted leader of the anti-Soviet group journeyed again to exile in Palestine.

Further plotting against the government came to light. By the middle of April, the expected withdrawal of Soviet troops and the announcement of the election served to reveal the latent elements of disorder and stimulated sporadic clashes between the Toodéh and the Rightist factions. It seemed safe to predict that the election, if it were possible to hold it at all, would be the most violent and corrupt, with the least semblance of freedom and fairness, in the parliamentary history of Persia.²⁸

²⁸ Recent events are set forth more fully on pp. 194-202, in connection with Soviet policy and international action.

CHAPTER IX

BRITISH ATTITUDES AND ACTION

The preceding chapters have dealt for the most part with domestic conditions and events, with special reference to their bearing on the work and fate of the American Financial Mission. That undertaking derived significance from its character as a neutral instrument of stabilization, domestic and international. The Mission was, in fact, the only force within the Persian government that made for both immediate and long-run stability. This chapter and the two chapters that follow are concerned with the external or international side of the problem, specifically as it involved Great Britain, the Soviet Union, and the United States, and again with special reference to their relations with the Mission.

THE ALLIES AND PERSIA

When Great Britain and Russia invaded Persia in 1941, the country might justly have been treated as an enemy, for to all intents and purposes the government of the time had delivered itself to Hitler. Even after the signing of the Tri-Partite Treaty of Alliance, the Persians, so far as I could see, never became unfriendly to Nazi Germany with any strong feeling or unanimity, nor did they become generally and enthusiastically pro-Ally. Their historic distrust and fear of the British or the Russians or both precluded any clear recognition of a common cause or genuine spirit of collaboration. When America came into the war, the Persians thought they saw more meaning and safety for themselves on the Allied side, for, as I have already pointed out, they looked to America for help and for a balancing of the scales. Moreover, the principles of the Atlantic Charter spelled measurable reassurance.

Persians, however, were less impressed by the principles that had been proclaimed and accepted than they were by evidence on the spot of Allied disunity and divergent purposes.

As Persians saw it, America's entrance into the war and America's presence in Persia did not bring about Allied solidarity or any alteration of British or Russian attitudes. Observers at Teheran could see that the three powers were not of one mind and did not fully trust one another, that Russians acted one way and British another, while Americans had a third type of behavior. The Russians failed or refused to participate in MESC, in the Road Transport Board, or in any other local agency for Allied co-operation.¹ This situation affected American prestige, because the Persians had expected some concrete manifestations of America's power, not only with regard to Germany and Japan, but also in relation to Russia. So far as the Persians could see, however, the American government, as well as the British, feared the Russians and exercised slight influence over Russian actions. The Teheran Conference and the Declaration that issued from it flattered the Persians and created a better impression regarding Allied unity and American influence. This impression, however, was temporary, for after the Conference the Allies showed no perceptible change in their individual conduct or in their relations with one another; and in the fall of 1944 they engaged in a competition for oil concessions that was more or less discreditable to all of them. The old Russian-British rivalry reappeared with increasing evidences of mutual distrust, with new techniques, and with full use of ideological slogans.

It became quite evident in this corner of the world that the three powers did not achieve a common understanding, except probably in connection with supply operations, that they did not hold to common ideals, and that they had little inclination to co-operate or otherwise to act in accordance with the principles that they were proclaiming and accepting for the post-war world. So far as one could judge from the behavior of the three powers in Persia, the war effort quite properly came first in their minds, their national aims appeared a close second,

¹ It may be doubted, however, that the British and American governments attempted properly and at the right time to induce the Soviets to participate in these inter-allied agencies.

and the projected new internationalism came in a very poor third.

Preoccupation with the war seriously compromised the principles that had been proclaimed and accepted. On the basis of the Atlantic Charter, which in due time the Soviet Union subscribed to, the three powers agreed that they sought "no aggrandizement, territorial or other." At the Teheran Conference, they "continued to subscribe" to the principles of the Atlantic Charter. At Yalta, however, Britain and America agreed to spheres of influence in Eastern Europe, and, bargaining to bring Russia into the war against Japan, repudiated almost the whole of the Atlantic Charter. In view of the Yalta agreements, it is not surprising that the Russians should have taken lightly the treaty obligations that applied to Persia, including those set forth in the Tri-Partite Treaty of Alliance. Moreover, in Persia, as probably also in other parts of the world, Britain and America condoned in effect Russian policies and actions that were clearly inconsistent with treaties as well as with the essentials of a new world order of peace and justice. In Persia the Soviets acted strongly, with self confidence, a consciousness of power, and a clear conception of their postwar national requirements; while the British and Americans acted timidly, without clarity of purpose, postponing issues, and compromising principles.

The three powers were not united in the carrying on of war publicity work in Persia. There were in appearance three wars going on—a Russian war, a British war, and a rather vaguely outlined American war. The three governments also conducted separately various activities designed to foster cultural relations. The British maintained an information center, published a daily newspaper in English, established an Anglo-Persian Institute, conducted a school, gave lectures and dramatic and film exhibitions, and arranged for the education of young Persians in the United Kingdom. The Soviets organized an Irano-Soviet Cultural Relations Society, set up an educational center, arranged lecture programs, gave concerts, put on film

shows, opened art exhibits, and conducted literary contests for prizes.

On the part of the United States, the American Minister and a group of Persians revived the Persian-American Relations Society, which had been organized during my previous service; and this society served its purpose fairly well, particularly during Mr. Dreyfus' residence in Teheran. An enthusiastic and able woman came to the Embassy from the Office of War Information, but was shortly cast adrift. A young man came from Syria to take charge of public relations work for the Embassy, but left the scene after two or three weeks. Late in 1944, Dr. Jordan, for many years head of the American College at Teheran, came back for a few months as a "goodwill ambassador." Our government made other gestures calculated to cultivate Persian friendship; and the Division of Cultural Cooperation of the Department of State was said to be developing a broad program for the Middle East to assist American-founded schools and hospitals. The Near East Foundation has been a useful agency for the advancement of public health and education; and a representative of the Foundation visited Persia and made preliminary studies in 1943.

All three governments invited Persian newspaper men to visit their respective capitals.

It is not my purpose to attempt an appraisal of the effectiveness of these activities. The point is that in large part they were competitive and emphasized national rather than international purposes.

Persia became nominally pro-Ally because she had no other choice. Her compulsory and passive contribution to the war was important. In spite of Russian actions, which will be discussed later, the Allies left the Persian government, such as it was, structurally intact; and while interference with Persian administration took place inexcusably and harmfully in the North, the Allies also contributed, chiefly in the South, to the strengthening of Persian administration. On the whole, the presence of Allied armies in the country served as a temporary

stabilizing factor of great importance. Had it not been for the presence of these armies, it is difficult to see how Persia could have escaped widespread disorder, a breakdown of organized government, and probably a period of virtual anarchy. Prior to the war's end, this stabilizing influence was freely admitted by Persians. Their favorite argument for increased appropriations for their own army was that the tribes would revolt as soon as the foreign troops withdrew.

It is true that the war brought special difficulties and privations to Persia, as it did in much larger measure to other countries. Inflation, though accelerated by the war and by the spending of the Allied armies, had been under way in Persia before the war began. The Soviets took out of the country a considerable quantity of goods, without much regard to local requirements; but Great Britain and the United States gave reasonable attention to Persia's needs. Imports of grain by the Allies in 1942 and 1943 saved Teheran from famine. The foreign armies, including to some extent the Soviet, also helped to transport grain within the country by lending trucks and personnel. Allied operation of the railroad profited Persia; and at the end of the war the line was in much better condition generally than it had been at the beginning. Persia suffered no devastation, as she had during the first World War. Removal of Reza Shah Pahlevi was alone of incalculable value, and for that service his former subjects should be grateful.

BRITISH POLICY

When attempting to ascertain the policy of a great power, one should, in my opinion, apply five criteria in about the following order of importance: (1) the basic and fairly permanent conditions that relate to national security and define vital interests; (2) historic trends and past policies; (3) the character and psychology of the government and people; (4) how the power acts; and (5) what it says.

Three general facts give us the key to the basic and continuing features of British policy in Persia: (1) the dependence of the United Kingdom on trade, investment, and sea

power; (2) the nature of the British Empire, which requires that it should have at its disposal a preponderance of sea power and that the routes to India and the Far East should be strategically guarded; and (3) jealousy or fear of rival powers or combinations of powers, feelings that are not peculiar to the British but in their case gain special significance because of the two points mentioned above.

Because of Persia's geographical position, the country's commercial opportunities, and the valuable British-owned oil fields at the head of the Persian Gulf, the British government has long and consistently looked upon Persia as an area closely related to the security and vital interests of Great Britain. The traditional policy has been to maintain Persia as a buffer state and as a means of checking Russian expansion southward, while taking all possible advantage of Persian markets and resources.

It does not appear that the British government has ever entertained the purpose of destroying Persia's territorial integrity. The Anglo-Russian Agreement of 1907 was a step in that direction prompted by large considerations of security. Prior to the first World War, Britain like Russia viewed Persia more or less as a pawn in the imperialistic game, and British policy concerned itself more directly with British economic interests than with the stability and progress of the country. Britain, like Czarist Russia, had its party and its protégés in Persia and, with more apparent activity than Russia, aimed to maintain in Teheran a government that was favorably disposed toward Britain. Even during these years, however, Britain treated this harassed country with a measure of liberalism and fairness that it did not receive from the North; although it is unlikely that the jealous eyes of the Russians could see much difference between British and Russian behavior. Immediately after the first World War, British policy, at least in appearance, suffered badly in comparison with the Soviets. It was the latter who renounced imperialism in word and in deed, while the British held to their economic privileges; and the ill-fated Anglo-Persian Agreement aroused reasonable

suspicion that Britain desired to extend its privileges as well as to dominate Persia politically and administratively. Since 1921, however, if not from an earlier date, British policy has looked farther than a mere negative preservation of Persia as a buffer state or as a commercial happy hunting ground. Britain has sought the kind of country that would offer neither Russia nor Britain any excuse or reason for intervention or economic pressure. The hope that Persia might put its own house in order has formed an essential part of British official thinking. The British want this country to be self-governed and also well-governed.

This attitude reflects a significant change in Britain's own position. She has passed the stage of expansion and adventure, and her policy has resolved itself into a search for stability, not the kind that stifles growth and adjustment but the kind that precludes conflicts. During the nineteenth century Britain policed the Eastern Hemisphere. She now realizes full well that she cannot again do the job of policing alone.

In recent years certain changes have occurred which have a bearing on Britain's situation and policy. These developments include aviation, the intensified assertions of nationalism in the Middle East, industrialization in this region, the Indian demand for independence, and the atomic bomb. Since the end of the second World War, Britain's life line has become a crackling chain of discontents. At the same time, the tremendous development of Soviet power and prestige has put a new face on Britain's, as on the world's, politics. In the Middle East and particularly in Persia, Britain and Russia no longer meet as empires of equal strength. Because of the war and the policy of appeasement, condonation, and connivance that the British and American governments followed in their war relations with Russia, the latter may have gained such a position in Persia as to prevent the future application to the country of anything approaching the prewar British policy.

Yet Britain can neither retire into splendid isolation, depend

on a European balance, nor forget Persia. If a Persia kept whole and made stable were to become impossible, Britain may be expected, in the event of continued Soviet expansion, to make a stand in the South. Her interests there Britain still considers vital.

British interests in the South are both strategic and commercial. The general strategic interest is determined by the fact that South Persia borders India and the Indian Ocean. In addition, Britain has in the Anglo-Iranian Oil Company an interest which is considered vital and which represents a combination of the strategic and the commercial. It is desirable to take note of this interest from both the British and the Soviet points of view.

In 1901, Muzaffar-ud-Din Shah granted to a British subject, W. K. D'Arcy, an oil concession that covered the whole of Persia except the five northern provinces. Oil was struck some sixty miles north of Ahwaz in 1908; and in the following year the Anglo-Persian Oil Company came into being. Just before the first World War broke out, the British government acquired a controlling interest in the company's capital stock. While the government undertook not to interfere in the commercial management of the company, the latter became to all intents and purposes an arm of the British Admiralty and of British strategic policy.

In the early thirties Reza Shah canceled the concession on several grounds. The dispute went to the League of Nations Council, but it was settled by negotiations between the Shah's government and the company. The latter received a new concession restricted to a smaller area along the Persian Gulf, but including the producing fields, while the revised royalty arrangement substantially increased the revenue of the Persian government.

In 1920 Persian oil production amounted to a little over 12 million barrels. In 1944 the output had risen to over 102 million barrels, and Persia had become the fourth largest oil-

producing country in the world.² This oil field with the refineries and port installations constitutes the most important industrial development in Persia and far exceeds in value any privilege that Russia possesses in the country. Moreover, while the Anglo-Iranian Oil Company has benefited Persia, especially Khuzistan, in many ways, the company at the same time represents and exercises a considerable political and administrative influence in and around the area of its operations. This concession, the part that it plays locally, and its strategic and commercial value to Britain have influenced both the British and the Russian attitude toward Persia. Of the Russian view I shall speak in the next chapter. On the British side, the Persian Gulf and the nearby oil fields represent a vital interest which could not be sacrificed without grave danger to broader imperial interests.

Though the Empire is passing through a transformation and seems to many to be disintegrating, no early change can be expected in British opinion with respect to the strategic and commercial buttresses of the Empire or Commonwealth. British foreign policy reflects a settled, matured opinion, national and not partisan. The British people retain their pride and belief in the far-flung Empire. The Socialists, no more than the Conservatives, are prepared to preside over its haphazard dissolution.

British policy and its execution aim, therefore, to enlist the co-operation of the United States, in the hope that we may play an active and important role in Persia and throughout the Middle East. Likewise, the British have been sincerely, if not desperately, anxious to make the United Nations a success. With equal sincerity, the British government desires Soviet co-operation on the basis of a concrete understanding regarding Soviet aims.

BRITISH REPRESENTATION

British representatives in Persia and in London who do the detailed work of executing policy are an extremely well-in-

² In 1944 the United States was first, Russia second, and Venezuela third.

formed body of men. The same circumstances that motivated and moulded British policy tended to select and develop men fitted to apply it. Imperial and colonial administration has called for and produced a large body of men who organize and administer with resourcefulness and self-confidence, who approach foreign tasks with knowledge and perspective, and who appreciate the direct relation of their services to the vital and permanent needs of their country. As a result of their long experience in colonial and other problem areas, the British have in their minds an almost instinctive understanding of the essentials of their country's policy and the type of behavior that is expected of those who carry it out.

No doubt many individuals deviate from the code; but I imagine that, whenever possible, something is done to eliminate or neutralize the undesirable types. The British are handicapped by the fact that too frequently they give an impression of aloofness and carry a certain air of superiority; but, to the extent that my work has brought me into contact with them abroad, they have impressed me not only with their capacity, conscientiousness, and alertness as individuals, but also with their devotion, discipline, and unity as a group. In our relations with them, we were struck especially by their flexibility, by the quickness and sureness with which they accommodated official procedure to individual cases, and by the general humaneness of their official conduct. One pleasant feature of their flexibility is that they can make exceptions or go to special trouble with gracious promptness rather than grumbling reluctance.^a

^a For example, an American woman found herself stranded in a foreign port en route to Persia. She proceeded to the American consul, asked for assistance, and received a curt refusal. She then went to the British consul, who solved her transportation problem and sent her on her way happy. According to another story that went the rounds, a member of the American Mission lost a filling from a tooth. He went to the American Army Hospital, waited in line, and finally reached the dentist, who said that he could not do work for a member of the Mission, because he did not have time. The American then went to the British Embassy with a request that they recommend a competent dentist. The soldier on guard told him to go to the British Military Hospital. There, the British dentist said: "But you're

Some of the men who have represented Britain in Persia illustrate an aspect of ability that appears to me significant, because I feel that it is not wholly exceptional or accidental. This is the quality of intellectuality shown by a spirit of inquiry, the habit of learning, the reliance on reporting, and the gift of literary expression. It may be that British politics and the British civil service are on a higher intellectual plane than ours; and so Englishmen of good all-round intelligence, including those of cultural and literary bent, are more likely than Americans of similar quality to find their way into foreign service. Whatever may be the reasons, the advantages are self-evident.

Our Anglo-Saxon cousins understand that diplomacy to be effective must be armed with power and prestige and must create in the foreign mind a conception of Great Britain and the British that commands respect while winning friendship.

In keeping with the diplomatic requirements of an oriental country, the British maintained in Teheran a large diplomatic staff, dignifiedly housed, ably headed by Sir Reader Bullard, and reported to by consular officers in all of the principal cities. In addition, political agents operated in different parts of the country, particularly in the tribal regions. On the whole, the British intelligence service was the best in Persia.

Moreover, the British government recognized the fact that military power is an essential instrument of diplomacy. During the war, especially, considerations of military strategy limited and to a large extent determined foreign policy; nevertheless, in various ways, the British forces with headquarters at Bagdad were made to serve civilian or semi-military purposes, chiefly with respect to the supplying of information, technical personnel, and equipment. A remarkable degree of unity characterized the British effort as a whole; and undoubtedly, the

an American, aren't you? Why don't you go to the American Camp?" When told what had happened, the British doctor smiled and said: "Well, we're pretty busy, too, but we'll take care of you. Come back Friday." One of my colleagues, suffering from dysentery and heart trouble, was refused admission to the American Army Hospital but received treatment from a British doctor at the British nursing home.

co-ordination that we observed reflected a similar and prior co-ordination of policy and action in London and throughout the Middle East. In Teheran, the Embassy had the primary responsibility for elimination of conflicts and achievement of unity.

BRITISH BEHAVIOR

Because they are well-informed and have the habit of viewing foreign affairs realistically, the British entertained few illusions about Persia or the Persians. The British have had a long and varied experience with these and other immature peoples, and they know that for such peoples independence does not and cannot mean the same thing as it does for the people of the United Kingdom or the United States. To treat the Persians politically as we would have others treat us is likely to do them a grave disservice; and the practical way to help such people to become really independent is to recognize that at the moment they are really dependent.

Assuredly, the British practice in Persia is what might be termed "interference in the internal affairs" of this "sovereign nation." I would expect in certain eventualities a British armed intervention; for example, to protect the oil fields, pipe lines, refinery, and port installations in the South. Throughout the South and West, British consuls and political agents played a part and exercised an influence considerably beyond the ordinary duties of such officials. They organized medical services, settled disputes between tribal chiefs, and in some cases acted informally as judges in local controversies. The British still have their Persian protégés. In the South the Bakhtiara tribesmen show a strong attachment to the British. Many of the deputies from the South and West acknowledged their pro-British feelings and customarily sought and followed the advice of the British Embassy and its representatives. Most of the prime ministers consulted the British Ambassador on matters which in a more advanced country would have been considered of exclusively domestic concern. Usually, a prime minister took care to include in his cabinet pro-British as well

as pro-Soviet ministers. No evidence appeared that Seyed Zia Din was a British "stooge," or that the British financed him or his newspapers; but they probably gave him and other friendly Persians encouragement and advice.

These intricate relationships might be compared in certain features and to a certain degree with Russian relationships in the country. Under the circumstances, many Persians who were reputedly pro-British were merely reacting to Russian aggression or to their fear of Russia. The mere fact, however, that Britain had friends in Persia was enough to arouse suspicion in the minds of Russians, bringing charges of British "imperialism"—and branding the friendly Persians as a "British party." British interferences, if such they may be called, had rather definite purposes and limits. On the whole their aims were (1) to keep the local inhabitants friendly to the British; (2) to allay tribal unrest and keep order; (3) to lessen the sufferings of the Persian people; (4) to prevent or postpone conflict with the Russians; and (5) to prevent the Persian government's passing under complete Soviet domination. In contrast with Russian activities in the North, the British efforts in the South and West were mild indeed. British action amounted for the most part to a supplementation of Persian administration rather than an interference with it.

British interests dictate British policy. While the British look forward to a self-governing and independent Persia, they naturally hope also for a friendly and a fair attitude on the part of the Persian government. The Soviets insist that the prime minister should be pro-Soviet; but the British, I think, are satisfied whenever he is a true nationalist and firmly impartial in foreign affairs. The economic program that comes from Moscow contradicts the principle of free and fair commercial competition; it asks in effect for special favors. The British, on the other hand, would be content with equal economic opportunity; perhaps, as their critics might say, because they have already obtained all the special advantages that they want. While the British, with their own interests in view, desire

a prosperous Persia, they are not likely to indulge in much wishy-washy sentimentality, to proclaim an impractical or one-sided benevolence, or to pretend a respect and affection that they do not feel.

In my opinion, the British respected and fulfilled their obligations under the Tri-Partite Treaty of Alliance. When the Persian government raised the question of withdrawal of the Allied armies, London stated its willingness to evacuate, provided Moscow took the same action. The Soviet government refused. Accordingly, a British force remained in the country until March 2, 1946, the date that marked the end of the six-month's period stipulated in the Treaty.

THE BRITISH AND THE MISSION

From the start, the British government adopted a policy of helping and supporting the American Financial Mission. I did not desire too much public championship from British quarters, since it might embarrass our relations with the Russians and with the pro-Soviet or extremely nationalist Persians. The opposition propaganda did link me with the pro-British group or party; but, curiously enough, this connection was suspected *after* the British, following the lead of the Department of State, had withdrawn their support of the Mission. Prior to this withdrawal of support, British officials were more sympathetic toward us and more willing to speak in our behalf than were the representatives of the American government. Mr. R. G. Casey, British Minister of State at Cairo, spoke to the Teheran newspapers on the occasion of his visit to Persia in April 1943.⁴ Mr. Anthony Eden, then Foreign Sec-

⁴ "I understand that there is a very able American gentleman, Doctor Millspaugh, who is struggling manfully with these [financial and economic] problems, and he has produced a series of proposals for rectifying them. I have not seen these proposals, but I know Doctor Millspaugh's record, and I believe that anything he has put forward to you as a recommendation to your Government is based upon a whole-hearted desire to assist you. Doctor Millspaugh suffers from the same disability that all of us suffer from, he is a human being; he may be right, and he may be wrong; but I would myself give him the benefit of the doubt. If, however, by evil chance he proved to be wrong, there is always the opportunity open to you,

retary, invited me to see him and he talked with Persian officials in support of the Mission.

It was all the easier for the British to support the Mission, since they had long understood that financial reform was the first step in Persia's regeneration and the center of any effort for the stabilization of this area. In the proposed Anglo-Persian Agreement of 1919, they had provided for a financial mission and had prescribed that all their projected missions should be given adequate powers.

British specialists who staffed MESC (Teheran) co-operated closely with us. British Army personnel were assigned to help us at Teheran and in the South and West. In view of our shorthandedness we could not do without them; but the number of Britishers who worked in and around the Persian administration and in association with us became an embarrassment that grew more serious as time passed. In the course of my urging the State Department to hurry its help to us, I pointed out in a letter to the American Embassy dated February 25, 1944, that British assistance had not "had a good effect on the prestige of the Mission or on American prestige generally" and, with reference to the Soviets, it had "tended to confirm their suspicions of us." We had requested similar assistance from the Soviets but, if we got it, it would be confined to the North while British help would be confined to the South, resulting in "a tacit recognition of the division of the country into spheres of influence."

gentlemen of the Press, to put forward alternative constructive, *constructive* proposals for the solution of your ills. And after all the ills and the troubles and the difficulties of Iran must be best known to the people of Iran, and therefore, I would suggest that instead of indulging, as from time to time you do, being human beings, in criticism, you might very well exercise your minds in making constructive proposals that they might be considered side by side with such proposals as Doctor Millspaugh has offered." *Daily News* (Teheran), Apr. 18, 1943.

CHAPTER X

SOVIET AIMS AND METHODS

During our stay in Persia the Mission, because of its broad financial and economic responsibilities, had frequent and various contacts with Soviet authorities—the Embassy, the Consulate General, the Army, the Soviet Trade Delegation, and Iran-sovtrans (the Soviet transport agency). The Mission also became for a time, as I have pointed out in Chapter VIII, the focus of a public movement that involved and revealed Russian action and thinking as well as Persian. From these contacts and experiences, as well as from the excellent opportunity that we had for observation, we could see and know Soviet actions in Persia, not as occasional or isolated incidents but as a fairly complete and generally consistent whole.

My opportunity for personal observation ended when I left Teheran on February 28, 1945; but when the censorship lifted later in that year, reports in the press became more informative and, thanks to Persia's protests and the reference of her case to the United Nations, we possess adequate and timely knowledge of Soviet behavior. Russia's postwar operations in Persia have continued the wartime course of action and brought it near to its logical and anticipated culmination. We did not know during the war what the Russians were saying in secret conferences; but the way they acted in Persia contrasted sharply with the principles that they adhered to and the assurances that they gave. Since the end of the war, they have widened the gap between promise and performance or, to put it another way, they have covered their wartime professions with a smoke screen of disputatious national propaganda, while proceeding unswervingly with their disturbing program of action.

From available information, it appears that what has taken place in Persia is of a piece with happenings in the Baltic states, eastern Europe, and Manchuria, and fits in with a picture, daily becoming clearer, that spreads into and over other

regions. Persia is not an accident or exception, though if it were, it would still present an important and urgent problem from the viewpoint of three-power co-operation and the new world order. Without Soviet co-operation the Persian problem cannot be peacefully and constructively solved. Nor probably can any other problem of Europe or Asia. The mere passing of time makes peaceful and constructive solutions more difficult. It is critically urgent, therefore, that we should develop a working conception of Russia's purpose and of the feelings at the roots of it. It is equally necessary that the United States also should have a purpose and a consistent course of action. Russia may be an enigma to us; but the United States is probably quite as much an enigma to the Russians. As I have previously suggested, the exigencies of war, real or apparent, and the conduct of the American and British governments were to an extent responsible for that high-handed course of action which we now deplore.

SOVIET PURPOSES

What are the basic and fairly permanent conditions that relate to the national security and define the vital interests of the Soviet Union? It is a country of continental size but not of continental limits. Russia's aim has been to obtain outlets through warm water ports. This traditional aspiration represents a vital interest not yet satisfied.

Russia has been to a large extent an enclosed country, actually or seemingly threatened by other powers—Napoleonic France, Great Britain, Germany, and Japan. Notwithstanding the allies that Russia has had and the help that has been given to her, military and strategic defense as well as means of striking offensively appear to her essential to her national security.

The Soviet Union is committed to an ambitious program of continued industrialization and looks to outside markets for her products, agricultural and mineral as well as industrial. Whatever may be the kind and quantity of Russia's natural resources, the government at Moscow desires to obtain control

over mineral and agricultural raw materials and over certain foodstuffs available in other countries. These economic objectives are related to the Soviet conception of national security, and for the Russia of today trade has become a vital interest.

The Soviet government has advanced the idea of a Russian region or "zone" which includes the border states; and this idea seems to have been encouraged by the American and British governments. One finds very little factual foundation for a Russian region, other than Russia itself. Persia, for example, belongs quite as much to an Indian region or a British Empire region; but if Persia were assigned to any region, it would be the Middle East. A region, if it is to have any international meaning, must have some recognizable limits. Where are the boundaries of the Russian region, if they are not those of Russia itself? Would a larger Russian region have any limits except the ocean borders of Europe and Asia?

We find additional evidence of Soviet policy in the character and psychology of the people and their government. The Soviet Union is more Asiatic than European, more Eastern than Western, and the Russian way of thinking and acting is in many respects quite like the Persian, though in other respects markedly different.

The Soviet government, notwithstanding its dictatorial character, shares and responds to the feelings of the people. The Russian masses are possessed and moved by a real, almost religious love of country. The outcome of the war intensified their nationalistic feeling. Beneath and around this mass feeling one discerns the attitudes of a primitive peasant population, ignorant, accustomed to poverty and oppression, with almost no conception of the larger personal liberties or human rights, and devoid of any idea of political democracy. Absence of freedom of speech and press leaves them ignorant, blind followers of their instincts and their leaders, willingly submissive to dictatorship. They love Mother Russia, they react to insecurity, and they respect power.

In their outlook on the world, the men who rule the Soviet

Union probably reflect with substantial fidelity the mind of a people that has been in large measure psychologically isolated, sensing little sympathy in the outside world, aware of threats and dangers, and, from the viewpoint of national security, impressed by the ups and downs of history and by the need of depending on themselves and taking first and good care of what they conceive to be their own needs. Suspiciousness is one of the most noticeable and may be the most important of the characteristics of the Soviet governmental mind. With it, one encounters the habit of secrecy, the policy of seclusiveness, and the practice of keeping foreign reporters and observers out of the places where Soviet purposes are in operation. This baffling phenomenon may be attributed not only to suspiciousness but also to what Mrs. Roosevelt called an "inferiority complex." Doubtless, too, there is unwillingness on the part of the Soviet government to have its conduct and accomplishments compared with those of the "capitalistic" governments.

The Soviet government denounces capitalism but emulates the Western powers while distrusting them. In the case of the British Empire, the Soviet attitude is one of jealousy as well as emulation and distrust; and the Soviet attitude in Persia has traditionally been one of jealous and suspicious rivalry. Rivalry between the two powers produced the theory of balance, roughly an idea that each should get as much as the other. But when after the first World War Russia renounced her privileges in Persia, Britain held on to hers; and now, when the Soviets look southward, they see the British in possession of strategic and commercial advantages which have no equivalents in the North. Furthermore, they see, or think they see, the British penetrating economically and dominating politically. What the British do, or what they appear to be doing, in the South is held by the Soviets to justify their doing similar things in the North.

The Soviet type of dictatorial totalitarian government, as well as the feelings of the masses, emphasizes the fact of power and necessitates its use. The Soviet government does not rest

on moral principles or on any idea of continuous responsibility to the people. Ultimately force is the sanction of any government, but in Russia force is immediate and of the essence. Power politics are natural and necessary within Russia and in Russia's relations with the outside world.

Like the United States and Great Britain, the Russia of the future may exhibit the fundamentally pacific disposition of a "satisfied" power. It seems certain also that the Soviet government does not want another world war or for the present any sizable war. Yet the conclusion seems inescapable that Russia is bent on a widening expansion of power, by either annexation, absorption, or domination. It is frequently suggested that the motive is security; but a drive for security, unless it is in some way self-limited, may be potentially as dangerous as a policy of world conquest. In the pursuit of their expansionist purpose, the men of the Kremlin appear absolutely realistic and cold-blooded. They do not want a big war, but they are ready to bluff and bully to the limit. They are anxious to get as much as they can while the getting is good.

One may believe that the Soviet Union joined the United Nations with sincerity, but without any intention of letting that organization interfere with the execution of Russia's nationalistic or imperialistic policy. Their attitude is evidently the same toward three-power co-operation. They welcome it when it advances their purpose. In situations where the Soviets are able to act unilaterally, they avoid or refuse three-power co-operation whenever they can.

SOVIET ECONOMIC ACTIVITIES

It is impossible in this place to describe fully or in consecutive order Soviet activities in Persia. The most that can be done is to present various illustrations. They may be divided into the economic and the political, but it is difficult in many cases to separate one from the other or to determine whether economic or political motives predominate. Those that may be considered economic fall roughly into two classes: those based

on concessions from or contracts with the Persian government, and those that may be termed commercial transactions.

The only important Soviet concession relative to the exploitation of natural resources is the arrangement provided for in the Caspian Sea Fisheries Convention of October 1, 1927. This agreement resulted from Russian pressure constantly applied during the period of my first service in Persia; and before the conclusion of the agreement the Russians had occupied and operated some of the installations. The convention covers all of the fishing rights on the south coast of the Caspian and in three rivers and grants these rights to a joint Soviet-Persian company for a period of 25 years. Each government holds 50 per cent of the capital. The board of directors consists of six members, three Russians and three Persians. The convention sets up no authority to cast the deciding vote when the board is evenly divided; but in practice the Soviets insist that the three Persian members shall be "friendly." Persians and Russians are supposed to alternate in the position of manager; but in 1941, when the Persian turn came, the Russians refused to permit Persian direction of the company. When on rare occasions the directors get into a deadlock the Russian manager proceeds to follow the views of the Russian members of the board and refers objections to the Soviet Embassy at Teheran. With this setup and mode of operation Persia has received little profit from the company and can exercise little control over her fishery resources in the North. In practice the company has been compelled to sell its products to a monopolistic Soviet distributing company, thus allowing the stronger partner to appropriate the profits to itself.

At the time of the Allied invasion, the Russians took out of the country a large quantity of munitions belonging to the Persian Army. According to the story told me by a Persian official, they wanted to take all the machinery from the Persian munitions factories. In order to save this property and satisfy the Soviets, the Minister of Commerce and Industry entered into a contract under which the factories, with Soviet technical

assistance, were to manufacture machine guns, rifles, and cartridges for the Red Army. Several features of the transaction, including fixing the prices of the delivered goods, were left to a later agreement. It was provided, moreover, that any differences which might arise should be settled by a committee in which both parties would be equally represented. Although the Soviets advanced funds in 1943 to help keep the plants going, the contract in practice compelled the Persian government to pay the operating expenses during virtually the entire life of the agreement. The factories operated wastefully. This was only partly the fault of the Russians. On the Persian side, three Ministries, War, Finance, and Commerce and Industry, shared in the supervision, and in addition the Persian Army made the factories something of an asylum and budgetary annex for excess military personnel. We made some progress in shifting this largely useless and mischievous burden back to the Ministry of War and also in straightening out the accounts and carrying on financial negotiations with the Russians, for whom we had in this case a good deal of sympathy. Nevertheless, as the situation appeared at the time of my departure, the Persian government stood to lose a substantial amount on this transaction, in which it should never have been involved.

The Minister of Commerce and Industry also made an agreement with the Soviets to deliver to them 80 per cent of the output of a canning factory owned by the Persian government.

With respect to the railway, our administrative relations were mainly with the Persian Gulf Command. From the Russians we met demands for funds for new construction that was required primarily for the Allies' war needs, though a different and fairer practice prevailed in the South. Similarly, the Russians attempted to make the Persian government pay all of the maintenance costs in the North on highways that were subjected to the abnormal wear and tear of the convoys carrying supplies to Russia. In the South such costs were paid by the British. As the end of the war approached, presumably

bringing nearer the transfer of the railway to the Persian government, the Soviets proposed to the Persian government an agreement for the operation of the Tabriz-Julfa line, which if concluded would have been as one-sided an involvement as the Fishery Convention and as complicated as the Munitions Agreement. After I had discussed the matter in the Council of Ministers, the Persians postponed further negotiations with the Soviets.

Iransovtrans steadily extended its commercial operations in 1944, doing business in the South as well as the North. It appeared that the Russians planned to establish and maintain an effective control of transport in their "zone," if not throughout the country, by cutting rates and by a skillful interworking of trade and trucking. The Soviets conducted a commercial air service without benefit of a legally approved concession.

Prior to 1944 the Persian government had monopolized the rice crop of the North and under barter agreements had exchanged the exportable surplus for Soviet manufactured goods. The 1943 agreement resulted in serious financial loss to the Persian government, partly due to the terms of the agreement itself and partly to inefficiency in our own organization. In 1944 we terminated the rice monopoly; but at the time of harvest the Soviet Trade Delegation proposed another barter transaction, indicating that they were unwilling to buy the rice directly from the Persian merchants or middlemen. They proposed that rice be exchanged for cotton piece goods and miscellaneous articles including crockery and glassware. Persian ministers declared themselves in favor of the proposal. It so happened, however, that cotton piece goods were rationed to us by MESC and rationed and distributed by us within the country. While refusing to buy the miscellaneous articles, we offered to take all the piece goods that the Soviets desired to sell us, of the kind that we rationed and distributed, provided that an agreement could be reached on prices. The Trade Delegation offered no prices; but they expressed a desire to

import sugar to sell to Persian merchants, that is, in the black market.

For all practical purposes the Soviets prevented the Persian government from exercising any control over imports and exports in the North. The Russians maintained exclusive control of the frontiers and ports, as well as internal transportation. They imported and sold goods before payment of customs duties, often without payment and even without customs declarations. They shipped tobacco through the country and refused to pay transit charges. So it appeared quite likely that, in the absence of a barter arrangement satisfactory to them, the Russians would bring in and sell in the black market anything they cared to. We had to inform them, however, that under the Persian government's regulations they could not import piece goods or sugar except for sale to the Persian government. MESC (Teheran), then under American direction, had informed us that sugar and piece goods imported by the Soviets, even if sold in the black market over our protests, would be deducted from Persia's import quotas. At about this time, in the fall of 1944, the Soviets began importing both piece goods and sugar and selling them in the black market, not only in violation of Persian law but also in disregard of MESC controls and presumably also of lend-lease understandings, since the United States supplied sugar to Russia under lend-lease. According to creditable reports, the Soviets also sold tires likewise supplied under lend-lease.¹ At this same time, moreover, the Soviet military authorities were applying for permission to buy sugar from Persian refineries.

After my departure in February 1945 the Persians and Soviets, as might be expected, concluded a barter agreement.

I endeavored to discover the motives that moved the Soviets to this desperate commercial activity. They stated in explanation of some of their actions that they needed Persian currency. They undoubtedly did, because the Russian forces in Persia

¹ Our inspectors discovered one of the pro-Soviet editors in possession of an automobile with a full set of new tires provided by the Russians.

were three or four times greater than military requirements called for; but the Soviets were also and principally concerned with using their wartime position to extend their trade as well as to exploit the weakness of the Persian government.

In general, few if any of the transactions between the two governments seem to have been conceived on the Russian side in a spirit of fairness or have given to Persia anything like the benefits that she had a right to expect. Constitutional and legal requirements appear to mean little to the Soviets. Persian officials, whether or not they have been bribed in advance, usually begin negotiations with a conviction that they must surrender in the end. The Russians understand this attitude and maintain an unyielding insistence. If the Persians hold out too long, their "northern neighbors" charge "unfriendliness" or an intent to disturb "good relations" between the two countries. If deadlock persists, the Russians resort to threat of reprisal and initiate intrigue or bring pressure to get rid of the recalcitrant Persian negotiator and put someone more pliant in his place. When the contract is finally concluded, it postpones some essential matter to a later agreement. When the time comes for this agreement, the Russians have got all they want, while the Persians have little bargaining power left. When it is a question of some advantage or profit accruing to Persia, the Russians are usually dilatory. So far as I know, they have never accepted in any contractual arrangement that a dispute arising between the two parties should be settled by an impartial third party.

In general, then, the Soviet government at home has joined economics to politics and in Persia wields the two instruments together for the purpose of making North Persia or the whole of the country an economic dependency as well as a political satellite.

SOVIET POLITICAL TECHNIQUES

The dignified home of the Soviet Embassy, located in an old and spacious park in the heart of Teheran, just across a narrow street from the British compound, provides an ap-

appropriately impressive center and setting for Soviet diplomacy. During the war the Embassy entertained lavishly, in contrast with British austerity. At the time of the Teheran Conference Marshal Stalin, unlike President Roosevelt, called personally on the Shah, giving assurances that Russia had no designs on Persia, and offering to present the Persian Army with tanks and other military equipment.

The extra-diplomatic activities of the Soviets found their most interesting expression in the Persian Toodeh or Masses Party and in the propaganda of the kept press. In times of Czarist imperialism, the Russians probably enjoyed an equal measure but a somewhat different type of Persian help, which they obtained and kept by bribes, loans from the Russian Bank, business favors, and protection. The Toodeh Party amounted to a new and more effective way of putting the Persian friends of Russia to use; and it was evident that Soviet sources financed this movement and the affiliated newspapers. The party was organized; had a war chest; disciplined its members; and carried on activities designed to increase its following. The party elected eight members to the Fourteenth Majlis, one from Isfahan and the others from the North. There was nothing objectionable in principle about the party's published program: it stressed nationalism and demanded "Freedom for all, bread for all, education for all, hygiene for all." Persia's industrialization, however, offered to a party such as this opportunity to create an active nucleus of discontent and a fertile field for the propagation of persuasive, if premature, doctrines.

The party seemed completely devoid of any attachment to the constitution or devotion to democracy. Its tactical aim was to promote chaos as a prelude to revolution or Soviet domination or both. At the time of the oil concession crisis, of which I shall speak later, the Toodeh figured in all of the more or less disorderly demonstrations that took place in support of the Soviet proposals. In the Majlis, members of the party made up in noise what they lacked in numbers.

From October 1944 on, conflict between the Toodeh and the

Seyed Zia following grew more clear-cut and intense. Seyed Zia published an anti-Soviet manifesto. Street fights between the two factions occurred. The pro-Soviet press, propagating the idea that Seyed Zia represented Fascism, did its best to destroy the possibility of a healthy party evolution, creating in its stead the elements of an irreconcilable class conflict. The same propagandists, by allying the Toodeh with Russia and identifying Seyed Zia with Britain, re-created and advertised the idea of a division of Persia into spheres of influence. Moreover, the issue thus stated developed in the Parliament a sectional alignment which, if it persisted, would confirm the disunity of the country and prepare it for civil war, while paralyzing what little was left of parliamentary functioning. Finally, by associating the American Mission with Seyed Zia, "capitalism," and the British, the pro-Soviet party aimed to eliminate the one important force that remained neutral and made for balance and stability.³

The Soviet program included much that was more substantial than mere agitation and propaganda or the stirring up of disorder. It included a systematic effort to treat the people of the North with kindness and to safeguard their means of living. Whatever the end may be, we must concede to the Soviets a certain sound logic in their approach. They represented themselves as the champions of the masses against the landlords and the "capitalists." Thus, the Russians go behind the technicalities of governmental sovereignty and strive to make themselves, in the view of the people, the exponents of social justice, human rights, and popular sovereignty.

Soviet economics, as I have said, worked with Soviet politics. While the British in Persia showed conspicuous unity in the understanding and execution of policy, the Russians were even more solid and even better disciplined. The Soviet business representatives and military authorities, as well as numerous Soviet agents of various descriptions, made their appropriate

³ As I wrote the American Embassy on Aug. 25, 1944: "Instability is being deliberately engineered; and, consciously or unconsciously, the way is prepared for a communistic revolution or a Fascist coup d'état."

contributions to the execution of the policy decided upon in Moscow.

The Soviet Army served at all times as an instrument of foreign policy; but during the war, naturally, Soviet military power was employed in Persia with considerable restraint and largely in a negative or obstructive fashion. In practice, Soviet representatives chose to conceal the co-ordination that existed, and conveyed the impression that the Embassy, the Consulate General, the Trade Delegation, and the Army were operating in complete separation from one another. Undoubtedly, however, the Soviet government imposed on all of these agencies a fairly definite and uniform policy; but it is possible that in certain specific cases they had no means of co-ordination in the field, a circumstance that compelled them in many instances to refer first to each other and finally to Moscow. Thus Russian co-ordination, in contrast with British, was often an extremely time-wasting and to an outsider an irritating and baffling process.

THE SOVIETS AND THE MISSION

I have already made clear that the Soviets did in some cases help the Mission by helping Persia. Undoubtedly also the Russians could find pretexts for opposing us, and however flimsy these might appear to us, they may have taken on a good deal of meaning in suspicious Russian minds.

Soviet authorities attempted studiously to avoid any recognition of the American Mission as a body that possessed authority and responsibility. The Soviet Embassy, in contrast with all other diplomatic representatives in Teheran, did not return my courtesy call. Again, in marked contrast with the British and Americans, no Soviet official ever called on me at my home or office, except a subordinate member of the Soviet Trade Delegation who came to my office to discuss an opium transaction. They not only desired to ignore and belittle us, but they also knew the practical advantages of negotiating with the Persians

alone. They knew the difficulty of dealing in their way with us.^a

Soviet opposition to the Mission showed itself in two principal ways: by attack from the Soviet-inspired editors and deputies and by administrative interferences and obstruction. Of the former I have already spoken and, along with purely Persian opposition, it contributed to the collapse of the Mission. Of the latter, too, I have already given examples in connection with the import and sale of goods by the Soviets.

It will be recalled that the Tri-Partite Treaty of January 29, 1942 contained the following paragraph:

It is understood that the presence of these forces [British and Russian] on Iranian territory does not constitute a military occupation and will disturb as little as possible the administration and the security forces of Iran, the economic life of the country, the normal movements of the population and the application of Iranian laws and regulations.

In this treaty Russia and Britain undertook also "to use their best endeavors to safeguard the economic existence of the Iranian people against the privations and difficulties arising as a result of the present war."

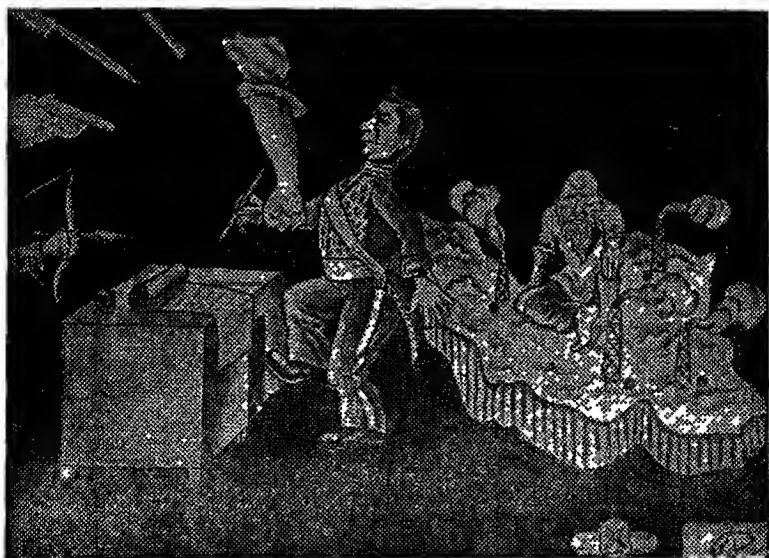
The American Mission under Persian laws and regulations directed important branches of Persian administration and conducted economic and financial activities which not only affected "the economic life" of the country but formed a vital feature of that life. Our administrative duties included "the application of Iranian laws and regulations." Within the range

^a A few weeks after my arrival in Persia, Mr. Dreyfus urged me to make an effort to bring about better relations between the Russians and myself. I agreed and had my secretary telephone the Russian Ambassador's office for an appointment for me to call on him. I was given a day and hour for the call but, shortly before the time came, the Ambassador's secretary broke the appointment. A day or two later we telephoned again and obtained an appointment, but shortly before the hour fixed, I received word that press of business prevented Mr. Maximoff from seeing me. At Mr. Dreyfus' solicitation, I asked a third time for an appointment, and this time gained access without untoward incident to the Soviet diplomat's presence. I found him chilly and obviously unfriendly, freely accusing me of unfriendliness toward the Russians. When I talked he read a newspaper, holding it between himself and me. He did warm up a bit before I left; but he did not return my call.

of our responsibilities, therefore, we could claim precisely the same status as Persian administrative officials. Moreover, our official responsibilities and activities, such as the collection of revenue, control of disbursements, management of public lands, purchase and transport of grain, and distribution of sugar, tea, and piece goods, necessarily extended to every part of the country, especially the North, for that region comprises the richest provinces of Persia. It includes the second largest city, the most important grain-growing area, most of the forests, all of the domestic tea production, most of the rice, and a large part of the cotton.

The stationing of American directors in the provinces constituted an essential feature of our organization and program. During my previous service, a member of the Mission had headed each of the important provincial organizations; and when the sixty-man law was passed in 1943, Persians and Americans alike understood that a number of the new American employees would serve in the provinces.

In this northern region the Soviet authorities stationed their military forces at a large number of points. They allowed Persians to travel to and in the North without any special formality; but in the case of persons of other nationalities, the Russian authorities required them to obtain and carry travel permits for each trip. We had no objections to showing our passports, carrying a letter of introduction from the American Embassy or the Persian government, or obtaining a permanent pass from the Soviets; but to be forced to go to the Soviet Consul General for permission whenever we desired to take a trip north or east of Teheran would have been an annoyance and waste of time even if the Soviets had acted with good intentions, courtesy, and promptness. They treated our applications in many cases with the most dilatory tactics imaginable and compelled some of my colleagues to make repeated visits to the Consulate General, being put off each time with some obviously ridiculous excuse. We usually had little difficulty when the proposed journey was a brief one, although on one



A PERSIAN PRIME MINISTER UNDER SOVIET PRESSURE

Mr. Sa'ed refuses to sign the Russian oil concession. The Russians say: "Sign, or . . . !
The Prime Minister replies: "I won't, even if . . . !

Korshid-i-Iran, October 31, 1944.

occasion two members of the Mission were flatly refused permission for an inspection trip.

This form of obstruction hurt the most in connection with stationing of the permanent American provincial directors. After I had assigned two members of the Mission to the South, I requested a pass with no time limit for a man to proceed to Meshed. The Russians first delayed and then offered to give him a permit for three months. After a delay of some months and after I had repeatedly taken up the matter orally and in writing with the Prime Minister and the American Embassy, the Soviets gave a permit to travel to Meshed as "a permanent official." This was the first and the last permit of the kind that we obtained. After prolonged delay, an American went to his post at Rasht with a three months' pass. After months of repeated applications, our provincial director of the center failed to get Soviet permission to visit his northern and eastern sub-agencies, while our efforts to locate a man at Tabriz met

complete frustration. At Tabriz, however, we had an American who had been sent there for grain-collection work. Unable to get anyone else there from Teheran, I appointed this man provincial director of Azerbaidjan. Not to be circumvented, the Soviet military commander at Tabriz shortly afterward ordered this official to return to Teheran, on the excuse that only there could his permit be renewed. I had learned that some Persian deputies had been intriguing to get this American out of Azerbaidjan, and I felt sure that once out of the province he would be unable to return. Unfortunately I called on the American Embassy for help; my American official returned to Teheran; and, as I had anticipated, the Soviets did not renew his pass.

Although this difficulty over travel permits seriously handicapped the Mission and presented a convincing test of the Soviet attitude toward us, as well as toward Persia, we never made a public protest or engaged in any dispute with the Russians on the subject. Since neither the Persian government nor the American Embassy would make an issue of this clear violation of Russia's treaty obligations, it seemed to me preferable to postpone any further action on my part until after the war.

During the fall and winter of 1944 the Soviets proceeded to banish from the North those Persian administrative officials, including some in American-directed administrations, who had failed to join the Toodeh party or in some other way had incurred the displeasure of the Russians. Although the Persian government and the American Embassy were promptly and fully informed of the facts, neither chose to make an issue of these high-handed and damaging interferences.⁴ In the background of these cases, Persians worked with Russians to punish and eliminate those who failed to join in Soviet-Persian subversion.

Another important difficulty arose from the manner in which the Soviet military authorities occupied Persian government

⁴ With reference to one of these cases, the Acting Foreign Minister wrote us that Persian officials should "refrain from actions which might excite or disturb one of our Allies."

buildings, in most cases without obtaining prior consent and in all cases, I think, without payment of rent.⁵ In some instances they demanded that the Persian government pay for repairs and electric wiring.⁶

While putting these difficulties in our way, the Soviets managed, with the blessing of the American Embassy, to infiltrate two Russian "advisers" into the Persian Ministry of Agriculture.

It was fairly easy to understand why the Soviet authorities could not tolerate the American Mission. The latter gave strength to the Persian government and won friends for it among the people; the Mission aimed to treat foreign traders impartially; in transactions with the Soviets, it stood between them and the Persians and insisted on a square deal for the latter; the Mission expected to operate in the North as well as in the South; and it could neither be bribed nor intimidated.

OIL

The oil-concession affair has been left to the last, since this episode serves to epitomize the main aspects of the Persian problem—the reversion to rival economic pressures, the principles of compensatory balance and spheres of influence, the effrontery of the Russians, the ineptitude of American diplo-

⁵ One of the Americans in the Road Transport Administration, a big, aggressive individual, went to Meshed on an inspection trip. On the way he stopped at a roadside control station and gave instructions to the Persian officials in charge. Returning a few days afterward, he passed the same station late in the evening and stopped to see whether the instructions had been carried out. Since no one was about, he knocked on the door. Getting no response, he knocked again and more loudly; but in vain. He then kicked the door in. On the other side stood a Russian soldier with fixed bayonet!

⁶ In Kazvin the Soviets insisted, apparently with some forcible measures, that the financial agency leave its two buildings, though it had no place to go unless it rented the local hotel. When we reported the facts, the Persian Foreign Office observed with reference to one of these buildings: "The U.S.S.R. authorities have previously notified the finance officials of the occupation of the building in question. Since no opposition whatever was shown at the time of occupation, the U.S.S.R. authorities have understood it as compliance." Imagine a fifth-grade Persian employee showing opposition to armed Russians!

macy, the weakness of the Persian government, and the incompetence of the Persian Parliament.

This episode, only one in a long story, goes back to the fall of 1943 when a British company applied for an oil concession in southeastern Persia. In the early spring of 1944, two American companies, the Socony-Vacuum and the Sinclair, also sent representatives to Teheran and submitted proposals. The matter dragged through the summer into the fall without reaching the stage of active consideration by the Persian government and without coming near to action by the Majlis, which under the constitution must approve a concession before it can be legally granted.

In the middle of September, however, Mr. Kavtaradze, Assistant Commissar of the Soviet Foreign Office, arrived on the scene and, after a round of dinners, receptions, and audiences, left for a tour of the North. Upon his return it became known that he had proposed to Mr. Sa'ed, then Prime Minister, that the Persian government grant to the Soviets an oil concession in the North.⁷ It does not appear that Mr. Kavtaradze ever submitted any specific offer or anything in the nature of a draft concession, which might serve as a basis of discussion; but he demanded the Prime Minister's agreement. Mr. Sa'ed took his predicament first to a commission and then to a secret session of the Majlis and obtained the deputies' approval of a plan to postpone the discussion of any oil concession until after the withdrawal of foreign troops from the country. The Soviets nevertheless brought the strongest pressure to bear on Mr. Sa'ed and informed him that, in their case, it was a government, not a private company, that had made the application. Therefore they would construe nonacceptance of their demand as a refusal, which in turn they would interpret as an unfriendly act.

The Toodeh and the pro-Soviet press took the cue and switched on a propaganda campaign in favor of the Russian

⁷ It will be recalled that the Russians obtained an oil concession in the North and gave it up in 1921. In the thirties, they obtained another, which they also failed to develop.

proposal and in condemnation of Mr. Sa'ed. Mr. Kavtaradze announced that co-operation between Soviet authorities and Mr. Sa'ed's government had come to an end.

At this time, rumors floated about Teheran to the effect that additional Soviet forces had entered the city and that the roads to the North had been closed. The Toodeh party held a big meeting in front of the Majlis, where "Down with Sa'ed" and "Death to Seyed Zia" alternated with denunciations of the American Mission. Soviet forces paraded through the city with armored trucks, motorcycles, and machine guns. Similar demonstrations, obviously incited by the Soviets and the Toodeh party, took place in a number of northern towns.

The Prime Minister maintained his resolution, encouraged by the British and American Ambassadors, who accepted the decision of the "sovereign" government of Persia to postpone this inflammatory question. American and British opinion, expressed in representations at Moscow, apparently impressed the Soviet government, which was said to have agreed not to ask again for the concession until six months after the close of the war. It was reported, however, that the Russians had already brought drilling equipment into the area.

Exactly how much the Soviets desired to accomplish remains in some doubt. Their only aim may have been to get the northern oil concession and get it at once. On the other hand, their principal, perhaps their only purpose, may have been to prevent the grant of the southeastern concession to the British or Americans. It is likely that the Soviets had in view both of these objectives; that is, appropriation of the northern oil for themselves and exclusion of others from the southeast. In any event, as we shall see later, the Soviets made substantial progress in 1946 toward accomplishing both of these objectives.

Whether or not the Russians were bluffing, they succeeded in exposing the weakness of the Persian government and the meekness of the American and British governments. However tactless may have been the moves of the American and British toward the southeast, their quick withdrawal before a Russian

demonstration did not enhance their prestige; and the Persian action was that of a thoroughly scared government rather than of a "sovereign" one. In fact, the Majlis, which had seemed to support Mr. Sa'ed in his half-brave, half-cowardly stand, now brought about his fall, apparently for two purposes: to please the Soviets and to destroy the Mission. It was significant that, during and after the visit of Mr. Kavtaradze, attacks on the Mission intensified.⁸ The oil concession had been outside my jurisdiction and what little I had to do with it had been done with absolute impartiality. No innocent bystander ever received a more undeserved collection of brickbats.

The Majlis on December 2, 1944, moving on a wave of emotion, passed a law designed to prevent all further negotiations on the subject of oil. The law prohibited any prime minister, minister, or under-secretary from entering into any conversation with representatives of other governments or of private companies in regard to an oil concession, and prohibited the signing of any agreement in connection with oil. Any offender against this prohibition was to be sentenced to solitary confinement for a period of from three to eight years and permanently dismissed from government service.⁹

THE TIGHTENING OF THE NOOSE

If any well-meaning Persians or any American diplomats expected that the Soviets would be appeased by the withdrawal of American and British oil companies, by the sacrifice of Sa'ed or by the emasculation of the Mission, those who had such expectations were brought by subsequent events to what should have been complete disillusionment. Russia drove ahead

⁸ One of the rabid pro-Soviet papers addressed me as follows: "The whole responsibility for the recent oil crisis is yours, for with your three-months' respite you tried with the help of Hoover and Curtice [American experts who had been employed by the Persian government to advise it on the proposed concessions] to give the southern oil to Americans. You incited the miserable Sa'ed in the recent darkening of relations between Iran and the U.S.S.R. You distribute food in the North and South with discrimination. You prepare ground for disorder in the North and excite the Russians." *Iran-i-Ma*, Nov. 5, 1944.

⁹ For further discussion of oil, see pp. 233-34.

with its program, keeping as much as possible under cover as in the past, but apparently intensifying its efforts in order to bring the job to completion before March 2, 1946, the date determined by the treaty for the withdrawal of the Allied armies.

Events in 1945 were no different in principle and effect from those that took place in 1943 and 1944; and during those two years Persian officials had ignored or condoned Russian actions or worried in whispers, while preaching and practicing appeasement, and urging it upon me. On occasion I told the Prime Minister and ministers that the only way to earn the respect of Russia was to stand firm for their own rights and interests. I could get little support. On the contrary, Persians showed themselves only too ready to curry favor with the Russians and to let them think that I was the one who stood in the way of acceptance of Russian terms. After giving tacit approval for two or three years to interferences and aggressions, it is a little difficult to make a convincing show of virtue and patriotism.¹⁰ Persians high and low had aided and participated in the execution of Soviet policy. Moreover, conditions and events in Persia had given tribesmen and peasants much reason to take refuge with the Russians and ample justification for rebellion against the misgovernment at Teheran. Persians prepared the soil and scattered the seeds while the Russians did some timely and productive cultivating.

Russia has repeatedly given assurances that she would respect the independence, sovereignty, and territorial integrity of Persia. Such assurances were included in the Anglo-Russian Agreement of 1907, in the Soviet-Persian Treaty of 1921,

¹⁰ In the case of one of our high Persian officials, I knew from the beginning that he was strongly prejudiced toward the Russians and against the British, with no liking for Americans. On one occasion he was complaining to me of the fact that I had replaced Persian officials with American; and he objected to what he called the "Americanization" of the administrations. I asked him whether he would like to have them Russianized. He replied in substance: "I don't know that that would be too bad. In fact, if any country were to take over Persia, I would prefer Russia to either Britain or America. If it were Russia, I might become a Stalin; but if it were one of the others I could never become a Roo -velt or a Churchill."

and in the Tri-Partite Treaty of Alliance of 1942; and they were implied, if not expressed, in the Atlantic Charter to which Russia subscribed, in the Teheran Declaration of December 1, 1943, and in the United Nations Charter. The Soviet Union has not respected the "sovereignty" of Persia, in the manner that in our minds it should have been respected; the Soviets have been interfering more and more with the "internal affairs" of the Persian government, as we understand these words; and Russia by its actions has violated its treaty obligations, according to our construction.

To put the best possible face on the actions of the Soviets, they give to the time-worn concepts of independence, sovereignty, and integrity a more restrictive and perhaps really a more practical interpretation than we do, meaning a formal status, a thing of the letter and not of the spirit. The Soviets are well acquainted with conditions on their back doorstep and know that the Persians for the present cannot function independently in the same sense and measure as Americans, British, or Russians. Persia, as I have previously tried to show, is not a matured nation. Its people are not loyal to their own government. Nevertheless, an overwhelming majority of the Persian people fear the Russians and would find Russian domination of their country most unwelcome. Even in the North, a majority of Persians share the general fear and would prefer their own government, much as they dislike it, to Russian rule. While we may agree, up to a point, with Soviet realism, we cannot agree with Soviet objectives or methods. One should note, moreover, that Soviet statesmen, when engaged in propaganda against the British, defend Persia's independence and sovereignty and condemn alleged interferences in Persia's internal affairs. The Soviets naturally desire London and Washington to be letter-perfect in abstaining from such interferences, because when others practice noninterference, Persia is left wide open to Soviet interference.

The Soviet government apparently would like a fairly thoroughgoing and exclusive domination over the entire country

with access to the Persian Gulf; but Russia's more concrete and immediate aims are directed at the North, with the idea of making that part of Persia a closed Russian economic preserve. To advance their purposes, the Soviets want the North to be "autonomous," and they desire also a "friendly" government at Teheran. By a "friendly" government they mean one that is subservient to Moscow. They do not want an impartial government friendly to all powers. Nor do they want equality of economic opportunity and treatment. What they are in effect demanding is a preferred and privileged position, political and economic. They intend that Persia shall be a puppet state, and to accomplish that purpose they can be expected to use every method short of actually taking over the country, outraging American and British public opinion, or provoking war.

Until that end is attained, the Soviet government will not be interested in stability or good government in Persia. Chaos serves their purpose better than order. They want the kind of government that can be purchased, hoodwinked, or intimidated; but when the government becomes one of pro-Soviet quislings, order will return quickly to the North. The Soviets are even less concerned with stabilizing Persia to eliminate international tension. They cultivate the idea of Russian-British rivalry. Probably nowhere else in the world is feeling between the Russians and British so bitter, and probably nowhere else are charges and countercharges so freely flung about.

With such a program, the Soviets wish to play a lone hand, first, because they predicate their policy on an "independent" and therefore a defenseless Persia; second, because having special aims they need to maintain direct contact with the Persian government; third, because they do not trust the British or Americans or admit that either has an interest in the country equal to that of the Russians; and, fourth, because Soviet methods require secrecy.

The Russians know that in Persia a small organized minority with a definite aim and persistent activity can seize power from a majority that is divided, confused, cowardly, and corruptible.

Their technique allows the absorption of the country while preserving the forms of independence, sovereignty, and territorial integrity, keeping the technique of absorption partially under cover and entirely beyond the possibility of legal proof.

Shortly after the end of the war with Japan, the Persian government asked for the immediate withdrawal of all the Allied armies. This question seems to have been brought up at Yalta and again at Potsdam, and it was later discussed at the foreign ministers' meetings in London and Moscow. Rebellion took form in Azerbaidjan in November 1945; and when the Persian government sent troops to deal with this situation, the Soviet military authorities stopped and surrounded them. The ostensible cause of the rebellion was an unsatisfied demand by the Azerbaidjanis for "autonomy." The rebels, calling themselves "Democrats," set up a "National Congress," though they stated that they proposed to remain within the structure of the Persian state. The Persian Embassies at Washington and London protested the Soviet interferences. The United States made inquiries of Moscow; and on November 25 Secretary Byrnes addressed a note to the Soviet and British governments asking that all forces be removed before January 1, 1946. At the same time, he announced that orders were being issued for the removal of American troops before that date. The Soviets refused to withdraw before March 2, 1946; and because of the Russian refusal, the British declared that their forces would stay until the expiration of the treaty period.

In their conversations and correspondence with the Persians, the Russians seem to have insisted that the affair should be treated as one that concerned only Russia and Persia. It did not appear, however, that the aged Prime Minister Hakimi made any progress in his talks with the Soviets, though he evidently made some dismissals and appointments designed to placate the Russians. Far from ceasing its interferences, the Soviet Army in Azerbaidjan kept the Persian government forces at Tabriz in their barracks while the rebels besieged them and forced their surrender. The United States govern-

ment proposed to send a commission of its own to Azerbaidjan to inquire into the situation; but a diplomat sent from the State Department to join the commission failed to obtain a travel permit from the Soviets and, after waiting for a time in Teheran, returned to Washington. The rebellion gathered momentum. At the Moscow meeting of foreign ministers, Mr. Bevin, seconded by Mr. Byrnes, proposed a three-power commission of inquiry, but this proposal failed of Soviet acceptance.

At London in January 1946 the Persian government presented its case to the Security Council of the United Nations; but at that moment the Hakimi Cabinet fell and Ahmad Ghavam, "friendly" to Russia, became Prime Minister. The Security Council, in accordance with the Charter, referred the question to "direct negotiations" between the two parties, with the proviso that a report be made to the Council on the progress of the negotiations. Thus, though Persia had complained that the Soviets would not negotiate, the latter still had a free hand to bribe and bulldoze their weak and pliable neighbor. Mr. Ghavam, with a commission consisting largely or wholly of pro-Soviet Persians, arrived in Moscow on February 19, 1946, and again a veil of secrecy drew over the tortured shaping of Persia's fate. The veil lifted on March 2 long enough to reveal the Soviet government's decision that its forces in Azerbaidjan, Guilan, Mazanderan, and Gorgan would remain "until the situation has been elucidated." They evacuated one province, Khorassan.

Both the British and American governments sent notes of inquiry and protest to the Soviet government, which apparently made no reply. In the meantime, Mr. Ghavam returned to Teheran, announcing that no agreement had been reached and that he had protested the decision of the Soviets to keep their troops in Persia. Nevertheless, the blockading of the Majlis by a pro-Soviet mob prevented any parliamentary interference with Mr. Ghavam's government or with Soviet plans. Mr. Hussein Ala, the Persian Ambassador in the United States, filed notice on March 19, 1946 of his purpose to bring to the

attention of the Security Council the refusal of the Soviet government to remove its troops. Five days later, Moscow announced its decision to evacuate Persia within five or six weeks "if nothing unforeseen occurs." This assurance, with its significant qualification, was repeated by Soviet Ambassador Gromyko, when the Security Council, meeting in New York, took up the question; and Mr. Gromyko asserted that his government had reached an "understanding" with the Persian government. This assertion was denied by Mr. Ala when he appeared before the Council. (Mr. Gromyko withdrew when the Council decided to hear the Persian Ambassador.) Therefore, the Council instructed the Secretary General to address inquiries to Moscow and Teheran.

When the replies arrived on April 3, certain discrepancies remained, and the situation regarding the alleged understanding still lacked complete clarification. The Council found it expedient, however, to take the view that the Soviet government had promised unconditionally to withdraw its troops on or before May 6, 1946, and that the question of withdrawal was not connected with other questions, such as autonomy for Azerbaidjan and the grant of an oil concession. Accordingly, the Council approved on April 4 a resolution introduced by Mr. Byrnes postponing further proceedings until May 6, 1946, but keeping the questions in dispute on the agenda and calling for a report on May 6 from the two governments.

On April 5, one day after the Council passed this resolution, Prime Minister Ghavam and the Soviet Ambassador at Teheran issued a joint communiqué announcing that an agreement had been reached. The announcement showed that, contrary to the belief in New York, the withdrawal of Soviet troops had not been unconditional but had been connected with the questions of Azerbaidjan and oil.

The Soviet and Persian governments were evidently still concealing some important provisions of their agreement; but, to the extent that it was revealed, this bargain represents the

ripe fruit of Soviet subversion and coercion.²¹ From the internal point of view, it amounts to betrayal and reaction; and, from the international point of view, it disregards enlightened principles and marks a reversion to the sphere-of-influence doctrine and the cynical imperialism of the past.

With regard to Azerbaidjan, the Prime Minister promised that "peaceful arrangements" would be made for "carrying out improvements" in accordance with existing laws and "in a benevolent spirit toward the people of Azerbaidjan." A few days later, Mr. Ghavam made several specific proposals to the Azerbaidjan rebels. From these, it appeared that the question of Azerbaidjan, declared by the two governments to be a Persian "internal affair," had in reality been the subject of negotiation with the Soviets and that Mr. Ghavam's "benevolent" promise would be fulfilled in a manner already agreed upon with the Soviet government. One may feel sure that, unless this arrangement meets some unforeseen obstacle, Persia has taken a long step toward the loss of its richest province.

The oil agreement, announced in greater detail on April 8, appears to cover the whole of the North, except a part of western Azerbaidjan along the frontier of Turkey. In this excepted territory, the Persian government promised not to grant any concession to a foreign company, to a Persian company in which foreigners participate, or to a Persian company using foreign capital. The agreement sets up a company in which, during the first twenty-five years, the Soviet government will own 51 per cent of the shares and the Persian government 49 per cent. During the second period of twenty-five years, each government is to own 50 per cent. Profits are to be divided in accordance with the division of shares. Judging from Persian experience with the joint fishery scheme, the weaker partner in the new oil undertaking is not likely to exercise much influence or receive much revenue.

We should note, however, the more basic implications

²¹ It appears that Mr. Ghavam was given to understand that, if he did not yield to Soviet demands, the Soviets would bring about a *coup d'état* which would set up a more submissive government.

of this oil agreement. It puts the seal of approval and of triumph on the long Soviet process of bludgeoning and seduction, a process contradictory to both the letter and the spirit of the United Nations Charter. The agreement confirms the totalitarian trend in Persia, placing an additional industrial burden on the government, while catching the Persians in another Soviet economic trap. All foreign interests other than Soviet are now excluded from oil development in the North; and a probably compelling precedent is established for the exclusion of all foreigners except Russians from other economic enterprises in that region. Thus, the principle of equality of economic opportunity goes by the board, and the North becomes more than a sphere of influence; it becomes a closed economic preserve for the Soviets. Moreover, the Russians were interested in a northern oil concession, not only for the oil but also, and perhaps primarily, for the political foothold that the concession provides. From this point of view, the Soviets now possess additional means of infiltration, propaganda, subversion, and pressure.

Let us return now for a moment to the Security Council. It is evident that the proceedings in the Council did not change the plans or methods of the Soviet government or substantially alter the outcome in Persia. The Security Council chose now to make light of the fact that the Soviet Union had kept its forces in Persia beyond March 2. Of the immediate issues that were presented to the Council, the one of most importance was not whether Russian troops should remain in the country, but whether Russian fifth columnism should continue. This latter aspect of the matter had been presented in detail to the Council in January; and in the note filed with the Council on March 19 Mr. Ala had said: "Furthermore, the U.S.S.R. is continuing to interfere in internal affairs in Iran through the medium of Soviet agents, officials and armed forces." Even Secretary Byrnes had stated in his address on February 28: "Though the status quo is not sacred and unchangeable, we cannot overlook a unilateral gnawing away at the status quo. The charter

forbids aggression and we cannot allow aggression to be accomplished by coercion or pressure or by subterfuges such as political infiltration." Though Russia continued to "gnaw away," Mr. Byrnes ate his words; and the Security Council chose to ignore this issue. It also ignored the fundamental conditions which made Soviet manipulations possible, gave them a measure of validity, and ensured their success.

Let us assume that the Security Council established the principle that a small nation having a grievance against one of the great powers may appeal to the United Nations and receive a hearing. Evidently the Soviets do not relish being called to the dock, and one can easily infer that they are willing to co-operate within the United Nations only on terms agreeable and advantageous to the Soviet Union. This inference is borne out by Ambassador Gromyko's letter of April 7 to the Council in which he stated that his government "insists that the Iranian question must be dropped from the agenda of the Security Council."¹² The Council did resist this demand and maintained the technical right of small countries to take their complaints to the United Nations; but the result may well be that from now on the Soviet government, far from changing its aims and methods, will take good care that its agents, wherever they operate, shall arrange matters so that the victim will not again call for help. Evidently matters in Persia had been thus arranged, at least for the time; since Mr. Ala read to the Security Council on April 15 an instruction that he had received from Teheran to withdraw the Iranian complaint.

With the expected departure of Soviet troops, the election of a new parliament became an early possibility and the pro-Soviet Toodeh party promptly resumed and accelerated its agitations, looking forward to a larger and controlling representation in the Fifteenth Majlis. It appears that the Russians withdrew their forces from the provinces of Gorgan, Mazandaran, and Guilan and on May 6, the date fixed for a complete evacuation, it appeared that some, possibly all, of the

¹² *New York Times*, Apr. 8, 1946.

Soviet Army had left Azerbaidjan. When the matter came up again in the Security Council on May 8, the Persian Ambassador informed the Council that he could not report that the evacuation had been completed. In his letter to the Council dated May 6, Mr. Ala gave the following explanation:

The reason for this [his inability to report] is that, as previously pointed out to the Council, the Iranian Government has been unable because of the interferences complained of, to exercise effective authority within Azerbaidjan since 7 November, 1945, and from that time to the present has had no opportunity to ascertain through its own officials what are the conditions prevailing throughout that province.¹⁸

No report came from the Soviet government, and Mr. Gromyko again absented himself from the Council. This body chose once more to ignore the question of Soviet interferences and passed a resolution, introduced by the American delegate, Mr. Stettinius, calling on the Persian government for another report on the matter of troop withdrawal, this report to be submitted not later than May 20.

Mr. Ala addressed an inconclusive letter to the Security Council on May 20; but on the following day he submitted a communication from Teheran reporting that a commission which had been permitted to visit Tabriz and other towns in Azerbaidjan had seen "no trace whatever of Soviet troops, equipment or means of transport." During the discussion on May 22, Mr. Ala frankly revealed the facts and their meaning; but, on Mr. Stettinius' suggestion, the Council deferred the case "to a later meeting." On the next day, the Soviet radio announced that the Russians had completed their evacuation of Persia on May 9. Later in the month, Prime Minister Ghavam instructed Ambassador Ala to make no more statements to the Security Council.

In the meantime, the government at Teheran found itself unable either to reach an agreement with the Azerbaidjanian rebels or to use force against them. It appeared unlikely that the Soviets would permit the reintegration of Azerbaidjan,

¹⁸ *New York Times*, May 9, 1946.

except, possibly, after working out a durable control of all Persia.

One can confidently infer that, whatever the Soviets have done with their uniformed men, they have seen to the equipment and training of the Azerbaidjan Rebel Army and have left an ample number of Soviet agents throughout the North. In general, the nearness of Soviet military power and the completeness of Soviet political penetration must have seemed adequate for their purposes.

For the immediate future one cannot predict whether Soviet forces, on some excuse, will stay in or re-enter the country; but it is safe to assume that the Soviets will attempt to guard against the danger of a rightist coup d'état and against any chance of interference by the Shah or by the Persian Army with the working out of Soviet plans. Regardless of whether or how the Soviets may use their armed forces, one can suggest that developments during the next few months will take certain possible courses, unless the United States or the United Nations takes decisive action. The Soviets, probably in co-operation with Mr. Ghavam, will try by every possible means to control the Fifteenth Majlis. Accordingly, we may expect in Persia intensified Soviet pressure, continued under-cover manipulations and fifth-columnism, more confusion, disorganization, and deterioration, and steady progress toward the fulfillment of Soviet aims. Should the election produce a Soviet-controlled parliament, it will doubtless ratify at once the agreement or agreements made by Mr. Ghavam. We may expect the new deputies to keep Mr. Ghavam in office or appoint some other "friend" of Russia as prime minister; and it is likely that this parliament will call a convention to change the constitution so as to establish an impregnable communistic dictatorship.

On the other hand, it is possible that no parliament will be elected. If for one reason or another the Soviets appear to be in danger of losing the election, they are likely to bring about an ostensible revolution and set up at once a quisling dictatorship.

As counter-measures, one might foresee the possibility of a rightist coup d'état, a move by the Shah and the Persian Army to control the election, an attempt in the same direction by the British through the use of money and influence in the South and West, and an effort by Mr. Ghavam to double-cross the Soviets so as to prevent their control of the Fifteenth Majlis. Such counter-measures cannot be viewed as probabilities or as desirable means of dealing with Persia's plight. Any one of them might bring on civil war. With or without civil war, the Soviets would gain an excuse, if not a reason, for armed intervention.

Thus, the noose tightens around Persia's neck. When the strangling is fully and finally completed, the Soviet Union, whatever the ultimate objective may be, will have consolidated its position along the flank of Turkey and Iraq, ready to move on toward the Persian Gulf and to fan out eastward toward India and westward toward the Suez Canal.

The danger to peace and security will then become clearer, and the situation will more visibly threaten the national as well as the international interests of both Britain and the United States. A communistic parliament or dictator at Teheran will assuredly consider the nationalization of Persia's oil resources in the South as well as in the North. The oil in the southeast, on the border of India, would thus fall under Soviet control; and another cancellation of the Anglo-Iranian Oil Company's concession on the Gulf would become a possibility. Repercussions in Arabia, Iraq, and beyond can be imagined but not now prophesied; though we can be assured that, as the absorption or domination of Persia progresses, Soviet influence will increase throughout the Middle East while British and American prestige declines.

CHAPTER XI

AMERICAN PRINCIPLES, POLICIES, AND PRACTICES

It was stated in the introductory chapter that Persia has offered a four-sided test, not merely during the last few months, but continuously during the last four years. Other chapters have pointed out how Persia, Great Britain, and Russia have acted under the test. From time to time I have referred to the role played by the United States. This chapter is concerned with our own government as it performed in Persia, particularly in its relations with the American Mission.

PRELIMINARY FACTS AND IDEAS

Our new internationalism, symbolized by leadership in the United Nations, means that we have adopted or are bound to adopt a positive and implemented world-wide peace policy, with no region excluded. Yet, have we to the necessary extent broken with the past?

The essence of America's old isolationism in political affairs lay in a refusal to associate with other powers for the prevention of war, along with a disinclination or inability to use our power to remove incipient causes of war and stop initial acts of aggression. Even when the causes became evident and the acts overt, we contented ourselves with wishful thinking and moral preachment. Our isolationist inaction, however, was never complete. In Latin America we accepted and practiced association with other nations and resorted at times to an independent assertion of our own power. In the Far East, also, our isolationism showed considerable modification and mitigation. Our prewar attitude applied in the main and most completely to Europe and the Middle East, including the areas where two world wars have started.

In economic affairs, the United States government after the first World War proclaimed various aims and principles. We

planned a vigorous promotion of foreign trade, we demanded equality of opportunity, and we sought control of raw materials, particularly petroleum. In Persia, too, circumstances put ideas into our heads. Our government gave its noncommittal blessing to an American administrative mission; and in 1920-21 as in 1943-44, two American oil companies sought a concession.

The United Nations Charter preserves and sanctifies the principle of the "sovereign equality" of the members of the organization. This principle endorses and encourages nationalism. America's present economic policies aim, at least in certain directions, at conditions and practices which are believed to promote general commerce, prosperity, stability, and peace. We can place in this category the American demands for access to raw materials, for equality of economic opportunity, for the removal of trade barriers, and for the restoration of healthy competition, as well as the American initiative in working out the plan for the International Stabilization Fund and the International Bank. On the other hand, America's trade policy is calculated to produce not only long-run protection but also immediate profits for the United States; and we find in our structure of policy, so far as we can discern its outlines, certain commercial or related strategic objectives that in the main concern purely national interests. Thus we propose to promote our export trade, to gain control of sources of strategic materials, and to obtain airports so that America may play an important and profitable part in the transportation business of the air age.

The persistence and assertion of nationalistic forces and policies, rooted as they are in "vital interests" and nourished by strong emotions, may easily prevail over internationalism and deprive it of substance and effect in the crucial matters. While it is essential for America to divest itself of the isolationist state of mind, it is equally necessary that we should be alert to and critical of our nationalist trends and policies, taking care that they do not contradict or embarrass our internationalist objectives and responsibilities. Likewise, in the fulfillment of our international responsibilities, we must be prepared to deal

with those manifestations of nationalism elsewhere that may endanger the peace.

While accepting the idea of the "sovereign equality" of states, with its nationalistic implications, we have taken the lead in the establishment of another principle, which at times and in places will be difficult to reconcile with the doctrine of national sovereignty. In our articles of faith, represented by the Atlantic Charter and the United Nations Charter, an old American concept has found expression, the concept of *human* as distinguished from *national* rights. The Atlantic Charter stated as objectives: "economic prosperity," "improved labor standards, economic advancement and social security," and "assurance that all the men in all the lands may live out their lives in freedom from want and fear." The United Nations Charter also embodies the idea of human, as well as national, rights. The Preamble says:

We the peoples of the United Nations [are] determined . . . To reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women . . . To promote social progress and better standards of life in larger freedom, and for these ends . . . To employ international machinery for the promotion of the social and economic advancement of all peoples.

The Charter declares it to be among the purposes of the United Nations to "achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion." Throughout the Charter reference is repeatedly made to human rights and freedoms.

With respect to the Persian problem, we meet with difficulty due to contradictions between the principles of national and human rights. Persia is not a colony or a former enemy state. It is one of the United Nations. Persia is in theory and in law an independent, sovereign nation; and by the letter of the law we are bound to refrain from interfering in her internal affairs.

In the Persians, however, we have a people whose government perpetuates conditions that constitute a source of international tension and a menace to world peace. Persia's independence and sovereignty are at best hopes or promises: they are not realities and cannot be until the country has a government capable of assuming both the authority and the responsibilities of sovereignty. Furthermore, governmental conditions in Persia block any attempt to establish the elementary freedoms and to provide for economic progress and social welfare. It is precisely the internal affairs of Persia that must be interfered with if she is to achieve the stability that comes from political freedom and a rising standard of living.

Persia was made to order, as it were, for the imaginative application of the broader and more vital American principles. In that country, because of both internal and external conditions, America had become an almost inevitable factor, and a substantial living American tradition had developed. Among the Persian people, the better elements of the articulate classes looked to the United States for assistance and protection. Persia was the one middle eastern country where the American war effort took on impressive proportions; and Persia alone became the subject of a declaration signed by the President of the United States.

President Roosevelt, when he attended the Teheran Conference in late November 1943, revealed insight into and grasp of the Persian problem; and he was looking forward to the postwar period with constructive imagination. In his half-hour conversation with me, he showed a lively interest in the presence of American administrative officials in Persia and, as I have mentioned, referred to the country as a "clinic" for the working out of his postwar program. He had in mind the establishment of similar types of American service in other problem areas of Asia. The President evidently had a program, internationalist and constructive, economic, social, and executive, in keeping with the ideas of "human rights" and peace through progress.

Whatever its guiding principles may be, the effectiveness of the United Nations organization depends on the co-operation of the United States, the British Empire, and the Soviet Union. It is, however, the actions of these three powers and the antagonisms among them that now threaten the peace of the world. Our stand against Russia or our co-operation with Russia in the more immediately crucial matters must take place in the areas that border Russia; but we cannot, for reasons already mentioned, consider these areas as lying within a Russian "region," "sphere of influence," or "protective zone." Russia itself is the Russian region. The United States envisaged, from the beginning of the war, its future responsibilities for the preservation of peace everywhere, and, it must be assumed, in the world's danger spots. Clearly Persia is one of these. It may be assumed further that we were resolved to check initial aggressions and remove incipient causes of conflict, not by waiting and hoping and not only by persuasion and moral influence, but when it finally becomes necessary by the prompt and vigorous employment of power.

Unless principles are to be applied and policies executed, it is probably better to say nothing about them. We demonstrated in Persia conspicuous weakness and vacillation at the point of action, and it is not inappropriate to suggest what may have been the causes. The President and the Secretary of State make the general decisions. The application of the decisions to specific situations takes place at lower levels. When the high officials make decisions in particular instances, as is often the case, they do so ordinarily on the basis of information and recommendations which come to them from or through the lower offices of the State Department. The relatively small actions that these lesser officials sponsor from day to day may become, in combination or in sequence, as important as the matters that concern the President and the Secretary of State, and may be and often are vitally related to outstanding controversial questions and fundamental international principles. A cumulative error resulting from a

series of little steps, each logically connected with and justified by a precedent step, may in the end create a critical situation or produce a major diplomatic failure.

The execution of foreign policy is of necessity largely in the hands of the subordinate officials of the Department and foreign service officers in the field. These men may in effect nullify the decisions made at the higher levels; and it is quite possible for our government to contradict its professions at Washington by its performance abroad.

Our failures in Persia may be explained by poor organization; by defective or inadequate informational services; by lack of co-ordination among the departments in Washington; by disagreements among officials of the State Department, causing confusion of purpose, delays, compromises, or total paralysis; by personal jealousies and intrigues; and by incapacity or laziness. Judging from my observations in Persia, most of these explanations had some relevancy to the situation. The Department of State certainly suffered from an utterly inadequate intelligence service and equally from an inability to digest, evaluate, and analyze the information that it received.

Recent legislation promises improvement in the intelligence work and personnel of the Department and foreign service. Unfortunately, two or three of the officials who were vitally concerned with American action in Persia represented a kind of diplomacy now outdated and generally condemned. This kind of diplomacy is social rather than executive; it is concerned with personal relations rather than with national and international problems; and it aims at patching up appearances rather than achieving long-run purposes. Its major technique is appeasement, playing for safety, and postponing or avoiding immediate trouble. It indulges in generalities, practices concealment, and acts, when it acts at all, by indirection. Lacking vigorous comprehension and constructive imagination, it is most happy when it can rest on familiar and orthodox formulas. This diplomatic attitude is essentially a negative one. Special missions, such as that of General Patrick J. Hurley as the

President's Ambassador to the Middle East, could not remedy these defects.¹

Certain general conditions during the war and afterward tended to paralyze our diplomatic action, while encouraging and prolonging the maladjustments and lags in the Department of State and in our national leadership. A transition from isolationism to internationalism could not take place quickly. Many strong evidences of the isolationist attitude are still reflected in Congress. The President and other administration leaders have been concerned with domestic as well as foreign policies; and the political exigencies of the domestic situation have probably to an extent embarrassed and compromised our foreign policy. Likewise, the need of getting results in certain aspects of international action led to the postponement or neglect of action in other aspects. For example, the military necessity of co-operation with the Soviet Union during the war seemed to justify appeasement of the Soviets on many matters of vital postwar importance. When we were planning for the peace, the overshadowing need seemed to be to get the Soviet Union into the organization of the United Nations. After the adoption of the Charter, we then felt compelled to sacrifice substance and results in order to maintain the forms and appearances of Soviet co-operation. Moreover, we have been slow to comprehend the purposes of the Soviet government, first, because our weariness of war and our desire for peace made it extremely unpleasant for us to face the facts, and second, because Soviet propaganda kept us in a state of confusion and encouraged our wishful thinking. Our own disposition to base foreign relations on words rather than action made it easy for us to believe Soviet propaganda and excuse Soviet aggression. In short, our democracy may have been again demonstrating its inability to cope with the strategy of dictatorial power politics.

A part of our difficulty in Persia arose from a failure during the war to effect full and consistent co-ordination between the

¹ For an informative criticism of the State Department, see Joseph M. Jones, "A Modern Foreign Policy," *Fortune*, August 1943; and by the same author "The U. S. State Department," *Fortune*, September 1943.

State and War Departments. It was no doubt generally understood in Washington that in war or peace military power is the ultimate political instrument and security is the one indispensable diplomatic objective. Our Allies, while recognizing with us that the war effort must come first, carried out far more successfully than we the principles that civilian diplomacy should be assisted by military resources and that the war effort both military and civilian should advance postwar political objectives. In Persia, however, the United States failed to apply these principles, and our diplomatic failure began when our power and prestige were at their height. If our government, with regard to Persia, had properly projected its thinking into the postwar period, it would have seen that the problem demanded (1) the continuance of the American Financial Mission as the key to and nucleus of a neutral constructive effort and (2) the abandonment by Russia of its program in the country. In the attainment of either of these ends, the American Army, if it had been effectively linked into the civilian war and postwar programs, could have been extremely helpful. Unfortunately, the relationship between our diplomatic representation and the Persian Gulf Command contrasted markedly with the essential unity achieved by the British and the Russians.

As I have said,² the War Department in 1942 had detailed a number of its officers to act as advisers or assistants to the Persian Army and gendarmerie. The American Financial Mission also, in the view of the State Department, constituted a part of the American war effort. Moreover, the Persian Gulf Command, operating the supply route, was engaged for the most part in what would normally be a civilian undertaking.

The American force possessed technically trained personnel, facilities, and equipment capable of being used by the American employees of the Persian government and, when so used, capable of contributing to the morale, effectiveness, and prestige of Americans in Persia. The Persian Gulf Command was much better equipped than the American Embassy with respect to in-

² See p. 44.

telligence service and even in the broad field of economic policy. In addition, General Connolly and his staff maintained a working association with the Soviets that no other American group had or could have. On the whole, this association seems to have been successful, although one should keep in mind that it had to do with a relatively narrow range of operations, which vitally served Russian interests.

In Persia, then, the United States government had two major official agencies—the Legation (later the Embassy) and the Persian Gulf Command—representing the two supremely important departments at Washington, State and War. Each of these agencies had its recognized duties with regard to the prosecution of the war. In the one case the duties were diplomatic; in the other, military. With respect to the postwar period, the State Department's representatives had evident responsibilities; but in this particular the War Department's agents had considerable potentialities. Co-ordination between the diplomats and the army officers was obviously imperative.

Such co-ordination could be brought about only by action in Washington. The American diplomats in Teheran never included anyone of outstanding imagination or initiative. General Connolly had diplomatic skill, but his inclinations properly ran in a military groove. He accepted and performed the operational task that had been assigned to him and could not be expected to seek a broader assignment or assume one without orders from Washington. While he extended many courtesies to me, he showed no personal comprehension of the theory that American officials of the Persian government were contributing to the war effort, and he evidently had been given no share in the idea of American leadership or participation in the reconstruction and stabilization of the Persian area. From the standpoint of American policy, he saw the country only as a supply route. Moreover, he gained an admiration for Russian character and capacity and his feelings in this respect could have been made an important asset in our diplomacy. Evidently, if the American government was to deal effectively

with Russia and Persia on the basis of a long-run program, it was essential that the War Department give General Connolly adequate and specific instructions.

In Washington, co-ordination between the State and War Departments called for presidential decision and such a decision required initiative from the State Department. So far as I could observe, the State Department did attempt belatedly and with some small results to influence the War Department; but one may wonder whether Mr. Hull or Mr. Stettinius ever laid any adequate plan of co-ordination before the President or the Secretary of War. One may doubt that such a plan could be formulated, since, in the field where I was working, the Department of State did not show the capacity to decide upon a policy, to plan the means of execution, or to carry out policy and plan with strength and consistency.

THE STATE DEPARTMENT AND THE MISSION: FIRST PERIOD

The story of the Mission's relations with the State Department may be divided into two periods: the first, from the beginning to July 1944; and the second, from that time to the end.

I have spoken of my conversations at the Department of State before I left for Persia. It became evident later that the men in the Department did not understand the executive undertaking that they promised to support or lacked the necessary strength and resolution for the long pull. I have also spoken of the Legation at Teheran which, in spite of its deficiencies, had more information and conviction than the Department and took on considerable effectiveness through the personalities and popularity of Mr. and Mrs. Dreyfus. Reference has also been made to the participation of the State Department in the staffing of the Mission. During the summer and fall of 1943 Minister Dreyfus and I were in almost daily conference or correspondence on this subject; and we sent repeated appeals to Washington. As early as May 10, 1943, I warned the Department of the possible collapse of the Persian government, and on September 29, 1943 took occasion to state that, unless we received

support and assistance from Washington, I could "see little hope for the success of the American financial mission or for the maintenance of American prestige in this country." In spite of, or perhaps because of, its inaction, the Department showed, well into 1944, a strange preoccupation with the internal affairs of the Mission, complaining of its rapid turnover³ and of reported dissatisfaction and disaffection among my associates.⁴ Undoubtedly, the officials of the Department at this time desired to help us, and after much delay they gave considerable help in recruitment and in the betterment of morale.

Up to midsummer of 1944 the Legation (or Embassy) gave the Mission full recognition and respect, sympathetic counsel, all of the assistance within its power, and, so far as the Persians were concerned, the kind of support that we needed. At the time of the Mission's crisis in October 1943, in connection with the Parliament's failure to pass the income tax and sixty-man bills⁵ Minister Dreyfus informed the Prime Minister in a conference that I attended that the American government did not care to have the Mission serve merely as a political "buffer" and would wish all the Americans to withdraw unless they were permitted to do their job. "These men have come to help you," said Dreyfus, "and you must give them the tools with which to work." Such support, along with the solidarity of the Mission, proved effective. Yet, at the moment of action, when it was too late for turning back, the Department, which had been fully informed of our difficulties, expressed "surprise" at my action and urged me to withdraw my resignation. When

³ The turnover in the American Legation (Embassy) was as rapid as in the Mission, and, within a period of two years, the Department changed every ambassador and minister in the Middle East, with one exception, the entire staff of the Legation at Cairo, and most of the staff at Teheran.

⁴ When the Department finally "insisted" that I take steps to improve the administrative and personnel side of the Mission, I pointed out that I had been taking such steps from the beginning and in a letter dated March 4, 1944, I asked the Department to inform me what steps, in addition to those already taken, it would insist that I take. I received no reply.

⁵ See pp. 100-11.

the crisis ended, however, the Department expressed gratification over the outcome and promised to speed up the assistance which had previously been delayed; but Secretary Hull, arriving in Teheran on his way to Moscow, did not find it possible to see me or to express any interest in the Mission, an attitude that sharply contrasted with the enthusiasm shown by Mr. Eden at the same time and a few weeks later by Mr. Roosevelt.

When the President asked me to tell him about our work, I took occasion to explain the plight of Persia and suggested that to do the job would require a more comprehensive jurisdiction, an assured period of at least twenty years, and the full support of the United States government. I gave Mr. Roosevelt a brief memorandum on December 1, 1943, and wrote a letter on January 11, 1944 to Harry Hopkins, who had asked the President to see me and had been present at the interview. In each of these letters I outlined a plan for a comprehensive, effective, long-term effort.⁹ Whether the President's vision was ever communicated to the State Department, I do not know. Copies of my letters were handed to the Embassy at Teheran. The White House doubtless referred the orig-

⁹ In the letter of Jan. 11, 1944, I included the following statement: "The history of most undertakings of this kind in Iran is that they come to an untimely end before any lasting results have been accomplished, and, with the departure of the American administrators, the country again lapses into disorganization, or, as after our previous service here, it turns to dictatorship. You may be assured that, during the short time allotted us, we can barely get a good start; and, in my opinion, it is a waste of our time, if not in injustice to the Iranian people who expect so much from us, to leave before substantial and durable results have been achieved. Twenty years, I think, is the minimum time required.

"If this is so, and if the Government of the United States is really interested in this job, then steps should be taken to insure the continuance of this work for the minimum period. In my opinion, these steps must be taken without delay. In the first place, we have at the moment a friendly and receptive attitude on the part of the Iranian people and Government, an attitude that may change as we extend our activities and, in the process, make enemies. In the second place, it is hardly likely that conditions will ever be more favorable for an agreement with the British and the Soviets."

inals to the Secretary of State. I received no reply to either of them or comment upon them.⁷

When I left Washington in January 1943 the officials of the Department evidently anticipated an expansion of what they called the "advisory program." In Persia I found ample proof of the need of American guidance in all of the administrations, with the possible exception of the Ministry of Foreign Affairs. The situation also confirmed my view that an *advisory* program would be worse than futile; and I suggested to the Office of Near Eastern Affairs shortly after my arrival that no more principal American officials should be sent to Persia without powers. For a year the Department appeared to accept this view.

Persian ministers in 1943 had plans for the employment of a large number of American experts in agriculture, irrigation, forestry, and the fisheries. The municipality of Teheran needed badly the type of service that an American city manager could give; and I obtained at one time the Prime Minister's agreement to the employment of three American municipal specialists. The Ministry of Education, the Ministry of Justice, the factories, the mines, the highways, and the railroad all needed American supervision; and in some of these fields the Persian officials in charge had on their own initiative expressed a desire for American assistants. An extensive and most interesting development of international co-operation, in the spirit of President Roosevelt's emerging idea of "trusteeship," seemed to be capable of realization.

While the Department of State talked about a "program," it actually had none. It had sent men to Persia without plan and in accordance with no known principle of organization. My idea was that we should strike while the iron was hot and establish the foundation of the larger postwar effort while circumstances remained favorable. Accordingly, I consulted with Dreyfus and with Prime Minister Soheily and drafted

⁷ The letter to Harry Hopkins, who went to the Mayo Clinic on his return to Washington, was acknowledged by his secretary.

a bill that if passed would have permitted the employment of Americans in the Ministries of Agriculture, Education, Posts and Telegraphs, and Roads (for the highways, ports, and railroad) and for the municipality of Teheran. These were to be in addition to the Americans already engaged. I wrote to the Embassy on January 26, 1944,³ explaining the situation and enclosing two copies of the bill. I added: "I would appreciate knowing the Legation's and the Department's views on the general subject." I received no reply to this letter or comments on my suggestions; and, so far as I know, the Department took no steps to develop more extensive or better planned technical assistance to Persia, though it continued to talk about an "advisory program."

During or shortly after the Teheran Conference, President Roosevelt removed Dreyfus because of friction that had developed between him and General Connolly, a situation that the State Department should have ironed out in Washington with the War Department. Persians apparently found the removal of Dreyfus inexplicable or construed it as a slap at themselves. In the light of the President's failure to call on the Shah, which looked to the Persians like a deliberate discourtesy, they had reason to wonder, despite the Teheran Declaration, whether the American government really intended to be friendly and helpful. To make matters worse, the State Department left the newly created ambassadorship at Teheran vacant for about eight months; and during this critical period the First Secretary acted as *Chargé d'Affaires*.

Richard Ford, the young man left in charge of the Embassy, happened to be well disposed toward the Mission and possessed of courage and decisiveness. Except with regard to Russian obstruction, the Embassy continued to give effective support to the Mission, and the Department of State showed a similar intention. In May 1944 the Department conveyed to the Persian government something of a protest, in the main apparently against the character of the Persian press propaganda. The

³ On this date, Dreyfus had left Persia.

telligence service and even in the broad field of economic policy. In addition, General Connolly and his staff maintained a working association with the Soviets that no other American group had or could have. On the whole, this association seems to have been successful, although one should keep in mind that it had to do with a relatively narrow range of operations, which vitally served Russian interests.

In Persia, then, the United States government had two major official agencies—the Legation (later the Embassy) and the Persian Gulf Command—representing the two supremely important departments at Washington, State and War. Each of these agencies had its recognized duties with regard to the prosecution of the war. In the one case the duties were diplomatic; in the other, military. With respect to the postwar period, the State Department's representatives had evident responsibilities; but in this particular the War Department's agents had considerable potentialities. Co-ordination between the diplomats and the army officers was obviously imperative.

Such co-ordination could be brought about only by action in Washington. The American diplomats in Teheran never included anyone of outstanding imagination or initiative. General Connolly had diplomatic skill, but his inclinations properly ran in a military groove. He accepted and performed the operational task that had been assigned to him and could not be expected to seek a broader assignment or assume one without orders from Washington. While he extended many courtesies to me, he showed no personal comprehension of the theory that American officials of the Persian government were contributing to the war effort, and he evidently had been given no share in the idea of American leadership or participation in the reconstruction and stabilization of the Persian area. From the standpoint of American policy, he saw the country only as a supply route. Moreover, he gained an admiration for Russian character and capacity and his feelings in this respect could have been made an important asset in our diplomacy. Evidently, if the American government was to deal effectively

with Russia and Persia on the basis of a long-run program, it was essential that the War Department give General Conolly adequate and specific instructions.

In Washington, co-ordination between the State and War Departments called for presidential decision and such a decision required initiative from the State Department. So far as I could observe, the State Department did attempt belatedly and with some small results to influence the War Department; but one may wonder whether Mr. Hull or Mr. Stettinius ever laid any adequate plan of co-ordination before the President or the Secretary of War. One may doubt that such a plan could be formulated, since, in the field where I was working, the Department of State did not show the capacity to decide upon a policy, to plan the means of execution, or to carry out policy and plan with strength and consistency.

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newspapers and deputies of the opposition exhibited their concern over this indication of American governmental support of the Mission; and they complained that the United States government was interfering, contrary to the principles of the Atlantic Charter and the Teheran Declaration, in an affair that concerned the internal policy and administration of a sovereign allied state. Furthermore, they said, the United States government misunderstood the situation; the Mission was being attacked solely because it had failed to do its job!

At about this time officials of the Department made some wise remarks to the Persian Chargé d'Affaires at Washington, including a statement that the Department would insist that the Persian government give support, protection, and opportunity to any Americans in its service. At the time of our second crisis in June 1944^{*} the attitude of the Department had been helpful; but the determining factors were the solidarity of the Mission and the support given by Chargé d'Affaires Ford, in conjunction with swift action by the Director of the Foreign Economic Administration at Teheran.

At the Teheran Conference the State Department had very little direct representation; but during this period the Department made efforts in certain directions to bring about the co-operation of the War Department. Late in 1943, the Persian Gulf Command gave us the use of some additional army facilities; but early in 1944 we lost the most valuable privilege of all, that of medical service and hospitalization. At about the same time, however, General Connolly received an instruction, informing him that it was the policy of the United States government to help the Persians to help themselves and authorizing him to make available to the Persian government military equipment and services not required for war purposes. Thereupon, the General inaugurated monthly luncheon meetings, which were attended by the General and one or two of his staff, the American Chargé d'Affaires, and the heads of the American groups employed by the Persian government. At

^{*} See pp. 125-26.

these meetings we discussed our needs and other matters of common interest to us and to the Army. In compliance with its orders, the Persian Gulf Command lent various pieces of equipment, helped in the transportation of grain, and detailed a number of men to work for the Road Transport Administration.

THE STATE DEPARTMENT AND THE MISSION: SECOND PERIOD

About the middle of June a rumor went about Teheran to the effect that the American government was not concerned about any individual who might be the head of the Mission but was concerned about the Mission itself. Generally speaking, such a position might seem a proper one for the Department to take, but, made public in Persia, it had in Persian minds unfortunate implications and tended to encourage attacks on the Mission itself through its head.¹⁰ During our second crisis, though we maintained our solidarity, the State Department, late as usual, sent a message to the members of the Mission, stating that for them to resign in a body would not be in the interests of the United States, and each member of the Mission should determine for himself whether or not he wished to remain in the service of the Persian government. The Depart-

¹⁰ Because of these implications and probable effects, I wrote the Embassy a letter on June 19, 1944, containing the following paragraph: "If there is any truth in this rumor, or if, being untrue, it is not promptly denied, great harm will be done to the Mission as an expression and instrument of American policy. The Mission must have a head, and, if it is to be of any use, it must have administrative authority, until the Iranians are capable of administering their government. The Mission, through its head, now has such authority; and it is inevitable that all the elements opposed to the Mission itself in principle and in practice will attack the head of the Mission personally and his powers. Naturally, if these elements believe that the Department is not interested in the person of the head of the Mission or is not insisting that he retain his authority, the attacks upon him will be redoubled. If, finally, he is compelled to resign because of these attacks and because of lack of support from the American Government, the elements opposed to him will have learned the efficacy of their technique, and they will use it on any other individual who may succeed him as head of the Mission. The task of such a man would be infinitely harder than my own, and I cannot see how, under such circumstances, the Mission could retain any usefulness, prestige, or self respect."

I received no information on the subject and the rumor was not denied.

ment promised that it would support the members of the Mission "as American citizens" in every appropriate way.¹¹

In the summer of 1944, the fact of central significance was that the authority and unity of the Mission rested exclusively in its head. If the Department wanted to maintain the Mission as originally set up but objected to its head, it should have taken steps to change the head. If it objected to an executive mission and wanted an advisory one, it should have acted in accordance with this view. If it desired no mission at all, it should have proceeded to terminate the undertaking entirely and at one time, in a clean-cut manner designed to save American prestige. The officials at Washington apparently made none of these decisions, or, if they did, they adopted the worst possible way of putting the decisions into effect.

The question presented to the Department was not a personal question. If it had been merely a question whether one person or another should be the head of the Mission, the affair would have little significance or claim to public interest. In January and June 1944 the Department indicated that it had no objection to me personally.¹²

The Department was also fully aware of the fact that I had no personal desire to remain in Persia and set up no personal claim to the position that I held. In the fall of 1943 I discussed with Minister Dreyfus on several occasions the possibility that the amoebic dysentery that I had contracted might compel me to leave the job. I wrote the Legation on October 15, 1943

¹¹ This amounted to an unqualified promise of support since we had been American citizens from the start.

¹² Secretary Hull telegraphed me on Jan. 6, 1944:

"... We recognize the able leadership, qualities of character, courage, and tenacity which you have shown in carrying on in Iran in the face of enormous odds. . . . You may continue your gigantic task with the assurance that the Department appreciates your great efforts and has complete confidence in you."

At the time of the second crisis, when I had again submitted a conditional resignation, the Department telegraphed on June 24, 1944, that it "sincerely regretted" my decision to resign, and that my departure from a country where I had "rendered such distinguished service could be regarded only with deepest regret."

urging immediate steps to find a man to serve as my assistant and prospective successor. On the occasion of my first call on Ambassador Leland Morris, who arrived in August 1944, I left with him a letter dated August 25, 1944, in which I expressed my personal desire to leave Persia about February 1, 1945.¹³ I added this observation:

The Department may be reminded that on my departure, unless proper arrangements are made, the Mission will lose all of its authority and its solidarity. It will become merely a number of advisers and technicians working, if they are permitted to work at all, under the orders of Iranians.¹⁴

This communication received no response or comment from the Department.

It is true that the new Ambassador brought with him a request from the Department that I come to Washington for conferences. My letter written on the following day (August 28, 1944) explained why it would be inadvisable for me to leave Persia at that time and asked that the Department let

¹³ The following is quoted from the letter:

"My personal desire is to leave Iran about February 1, 1945. . . . Personally I feel that for me to remain longer on this exacting job, in view of the present harassments, opposition, obstruction and lack of support, would be asking a little too much of me. It appears to me that the notice I am giving will be ample for any purpose that the American Government may have in mind. . . .

" . . . If the Department should take steps to bring about the establishment of an effective Mission, or if something now unforeseen should happen during the next few weeks, resulting in a radical alteration of the situation, I might be willing to change my personal desires. But, as things are now, it would seem unfair as well as unwise to wait for the improbable and unexpected."

¹⁴ In this letter I set forth at length my estimate of the Persian situation and expressed substantially the same view that I had some months previously to President Roosevelt and Harry Hopkins; namely, that ". . . the American Mission can not survive as an adequate expression of American ideals, work effectively, or accomplish the task set for it, unless it has wider and more definite authority, is given a much larger jurisdiction, and a longer tenure. Although the actual status of the Mission may be camouflaged to some extent to save Iranian feelings, the Mission will have to be in effect the government of the country in financial, economic and social affairs."

me know any particular question on which it desired information. This letter received no acknowledgment or reply.¹⁵

The Department raised no question at any time, so far as I know, regarding the success or failure of the Mission; nor did any controversy arise concerning the soundness of the Mission's program. As late as July 1944 the chief of the Division of Middle Eastern Affairs wrote in the Department of State *Bulletin* that the various American advisory missions¹⁶ in Persia were "an important implementation of the American Government's policy of assistance to that country," and that we were "serving both a wartime and peacetime purpose," promoting "orderly and stable administration," and "contributing notably both to the orderliness and to the productivity" of the area.¹⁷

The Department could hardly have come to view the "advisory program" as merely a contribution to the Allied war effort. This was, temporarily, a feature of our service; but we had been established to do for Persia what was essentially a normal long-term peacetime job. Our contribution to the war effort was in the main incidental to the task that the Persian government had assigned to us, and our service to the Allies came largely as a by-product of the job that we were doing for Persia. Moreover, after the war and after the final liquidation of the Financial Mission, the Department took steps to maintain and even to expand American activities in the Persian Army and gendarmerie, and, according to reports, sent an agri-

¹⁵ The Department's request became known in Teheran and rumor had it that the Department was getting me to Washington on a pretext, with the intention of not permitting my return. Said one of the pro-Soviet papers: "At last a way was found to solve the difficult question of the American Mission; and the good-will and understanding shown by the new Ambassador was most effective in the solution of the problem. Dr. Millspaugh has asked for a leave of some months, and under this designation he will leave Iran for good." (*Firman*, Sept. 4, 1944). No denial came from the Embassy.

¹⁶ As used in this article, the term "advisory missions" included the Financial Mission.

¹⁷ George V. Allen, "American Advisers in Persia," Department of State *Bulletin*, July 23, 1944, pp. 92-93.

cultural mission to the Middle East in co-operation with the Department of Agriculture. It must have been understood that in any comprehensive plan of American assistance, a strong financial mission would logically come first and would occupy the key position. Our control of revenues and expenditures not only served as a stabilizing influence but also was indispensable to the full effectiveness of Americans in other fields.

"Support" meant in connection with the Mission simply the saying of helpful things at the right time by appropriate American officials to the Persian authorities. We never expected any extreme formal representations in our behalf; and we fully realized that we had, from the technical point of view, no official connection with the United States government. We also realized that our status in Persia did not represent a "right" formally consecrated and sealed by treaty. Yet, if the Department had cared to pursue the legal phase of the matter, it might have found some fairly solid ground on which to rest a legal, as well as a moral, claim to diplomatic protection and support. We were American citizens with whom the Persian government had concluded contractual relations. We entered into these relations with the knowledge, approval, and aid of the State Department and with promises of support; and, as I have just pointed out, the Department made no secret of its view that we were implementing American government policy. When President Roosevelt signed the Teheran Declaration, promising a continuance of economic assistance to Persia, he might well have understood that the Mission, in which he evidently took a keen interest, would act as a means of channeling this assistance and putting it to the best possible use. Finally, it would seem that our claim to support was equal at least to that of an applicant for an oil concession.

But, quite apart from the question of moral or legal right, Persia herself gave the American government justification and opportunity to protect the Mission. Persia asked for a special kind and measure of American friendship; and in establishing the Mission, Persia had offered evidence of her good faith and

a guarantee that the fruits of this special American friendship would not be misused. On that basis, the American government had only to continue the policy that had been carried out by Messrs. Dreyfus and Ford. In practice, the Persian government expected and invited advice and expressions of opinion from American diplomats, quite as much as from British and Soviet. When Prime Minister Bayat proposed to introduce the bill for the abolition of my economic powers, the step that made the collapse of the Mission inevitable, he consulted in advance with the American Ambassador.

No one who knew the Persian situation could entertain the slightest doubt that some timely and straight words from the American government would have been sufficient to keep the Mission intact, with all of its financial and economic powers, its general effectiveness, and its opportunity to continue its program, as well as to serve as the nucleus and heart of the larger American effort. To those capable of analyzing the opposition that we encountered, it formed a predictable pattern, presented a normal appearance, at least for Persia, and exhibited continuity and inevitability. Even in Washington it might have been remembered that during my previous service in Persia the same phenomenon had appeared and would have persisted with growing intensity if it had not been for the support given us by Reza Shah. During our second attempt, the required protection and support could come only from the Department of State and the American Embassy at Teheran.

The most vocal, the most determined, and the shrewdest elements in Persian political life were arrayed against us in the fall of 1944; and momentarily, for the single purpose of destroying the Mission, they controlled the Majlis and the government. Since they appeared to constitute or represent the official authorities, their appeasement probably seemed to the Department a most natural procedure.

The Department had evidently been impressed by the clever Persian contention that American governmental support of the head of the Mission amounted to interference in the in-

ternal affairs of Persia. The Department fell neatly into the trap; and the Embassy frequently resorted to this formula when denying support. The feeling of safety that comes from having time-honored rules to apply made it easy to fall back on the doctrines of "sovereignty" and "non-interference in internal affairs." It is true that Persia's sovereignty had been guaranteed; but while British and Russians were applying the concept realistically, the American Embassy, when reacting to my requests for support, construed the obligation in a highly technical manner and to the exclusion of other obligations perhaps equally binding. This inelastic construction, however, did not come into vogue until some seven months after the Teheran Conference. It is difficult to conceive that the Department withdrew support from the Mission because of a sudden guilty feeling that, during the previous eighteen months, it had been violating the sovereignty of an independent nation.

As the situation unfolded and opposition developed in the fall of 1944, I requested the Embassy's support on a number of matters. Invariably reasons were found, though they sometimes contradicted one another, to explain or excuse denial of support; but, for the most part, our troubles seemed to belong to the "internal affairs" of the Persian government, as quite obviously they did and always had. The Embassy informed the Persian government of this attitude, and it was known to the public. The Persian friends of the Mission could hardly fail to contrast the cordial and sympathetic bearing and the friendly and helpful intercessions of American diplomats in the past with the now studied avoidance of anything that might be construed as support. Persians naturally inferred that the Embassy had joined hands with the opposition.

In strange contradiction to the idea that we were "Persian government officials" and that the Embassy must refrain from interference in Persia's "internal affairs," the Department instructed the Ambassador to supervise and co-ordinate the American civilian missions in Persia. It is well known that the desire to co-ordinate or supervise does not always spring from

sound administrative knowledge and reasoning. Neither the Embassy nor the State Department had the staff, the experience, or the contact with administrative details necessary to decide questions that arose in the course of our work for the Persian government. Most of the questions that concerned the relations one to another of Americans within the Persian government related to the budget. American officials, however, served in less than half of the Persian ministries; and the Embassy, even if it had been qualified, could hardly have undertaken to co-ordinate Persian officials as well as American. In the case of the Financial Mission and the other Americans employed by the Persian government, co-ordination was already provided for in Persian law and was strictly an internal affair of the Persian government.

In isolated instances, when friction developed between Americans in different ministries, the situation should have been called to the attention of the Embassy, and in the natural course of events it would have been; but no general situation existed which called for continuous or formal interference by the Embassy. The Ambassador seemed unable to clarify his impracticable mandate. I asked the Department through the Embassy to explain what it meant by supervision and co-ordination, and received no reply. While the Ambassador made no attempt really to supervise or co-ordinate, he did indicate to me his desire that the Persian Army should receive additional funds.¹⁰ The Ambassador took charge of the monthly luncheon meetings that General Connolly had started; but under the Ambassador's chairmanship the meetings promptly departed from their original purpose of maintaining a liaison between the Persian Gulf Command and the Persian government. Except for the social features, which were worth while, the proceedings became perfunctory.

The need of course was for a co-ordination between the Embassy and the Army directed to a primarily civilian purpose, the planned execution of a long-term postwar policy toward

¹⁰ See pp. 114-15.

Persia and Russia. No evidence appeared that Washington had seriously attempted such co-ordination or had made the preliminary decisions with respect to policy and strategy. On the contrary, instead of an active co-ordination aimed at a constructive diplomatic accomplishment, the State Department had evidently substituted something else that was more in harmony with the general spirit of isolationism and appeasement. General Connolly returned to Washington and the command of the American Army fell to General Booth. The diplomats and the military drew close together; but in point of view the Embassy went over to the Army, rather than the Army to the Embassy.

When Prime Minister Bayat precipitated the Mission's final crisis by introducing a bill for the abolition of my economic powers,²⁰ I conferred with the Ambassador, and it appeared that he was looking for instructions from Washington, which never came. I was given to understand, however, that the Department still held to the view that it had expressed in June 1944, that the resignation of the Mission in a body would not be in the interest of the United States. I had already tried with no success to change this view;²¹ and I did not now present the question of my resignation to the Mission as a whole or make any attempt to persuade my associates to resign. On January 29, 1945 I wrote a letter to the Ambassador in which I summed up the situation and the problem that it presented, with a request that the substance of it be telegraphed to the Department.²² In closing this letter, I said:

If strong representations are now made by the United States Government, it is possible that the present crisis can be tided over, giving

²⁰ See p. 148.

²¹ See pp. 150, 218.

²² The following is quoted from the letter of Jan. 29, 1945: "The Department is surely aware of the fact that the attack on me is not motivated by dissatisfaction with me personally. It is aimed at me because I represent the Mission and because the Mission, with me at its head, has the authority and the will to insist on honest, impartial, and sound financial and economic administration. Such administration contributes to stability in the country and to independent and impartial relations with foreign governments in financial and economic affairs. Because the Mission, under my leadership,

time and opportunity for the Department to formulate and put into effect whatever new policies it may have had in mind. The opportunity may be lost, in my opinion, if the Department does not at this time give its full support to me as head of the Mission. . . .

Receiving no word from the Department, I asked the Embassy on February 7 to send the following telegram from me to Secretary Stettinius and Political Adviser Murray:

It has been understood that the Department is interested in extending assistance to Iran through American Missions equipped to function effectively. If this understanding is still permissible, it would seem to be extremely advisable to take the necessary measures to maintain the status quo and to prevent serious changes to and in the Mission until the new Ambassador²¹ has had time to study the situation. If it is desired to alter the legal basis, the set-up, or the composition of the Mission, such alterations will be difficult to introduce or control when the Mission has already lost its authority, prestige and unity. The situation of the Mission has now reached a critical and perhaps final stage. As conditions for my staying, I asked the Iranian Government to take certain actions and to give assurances regarding its policies and attitudes in the future. These

has stood for these things, which are precisely the same things that the Mission stood for when it was here previously and for which it won success and popularity, we are now faced with an organized opposition representing the entrenched selfishness of landlords and merchants, the greed of speculators and profiteers, the ambitions of would-be dictators and dictatorial cliques, and the machinations of those who desire chaos in the country. This organized opposition has a sizable slush fund, is conducting a skillful propaganda campaign, and is helped by the anti-foreign feeling and by the ignorance and apathy of the classes that tend to be favorably disposed.

"If these elements succeed in forcing me out, the Mission will automatically lose its authority and its unity and become a collection of advisers, to be ignored or pushed around according to the interests and whims of Iranian politicians. . . . An advisory financial mission, because of the extreme pressure on the finances, is certain to prove in practice useless to Iran, discreditable to Americans, and harmful to American prestige in this part of the world.

"Those who are familiar with Iranian mentality know that a condition of deterioration and defeat, such as that which we are now experiencing, cannot be remedied by yielding, by compromise, nor by an exchange of general assurances. If the present tendency is to be corrected and if an opportunity is to be preserved for re-establishing the Mission on a satisfactory and creditable basis, the Government must be forced to acquiesce on specific key problems."

²¹ Ambassador Morris had been recalled and Wallace Murray named to succeed him

proposals have been rejected. I consider them essential to the future prestige and success of the Mission. If the Iranian Government does not change its stand, I can see no possibility or use of our remaining. It is barely possible that a satisfactory adjustment, permitting the re-establishment of the Mission at least temporarily may be effected through a change of Cabinet or by action of the Majlis. But without strong representations by the American government, even a temporary adjustment is improbable. Will the Department make such representations? This information is essential to determining my future action and should in all events reach me within ten days. If I am not informed, I shall be compelled to assume that the question of my leaving or remaining, with its important bearing on the future of the Mission, is not considered any longer a matter of interest to the Department.

A message came on February 13, which indicated that the Department intended to take no action. I made my resignation effective two days later. With reference to the situation of my colleagues, who were showing some anxiety regarding the future, I was told that, if I encouraged them to leave, the Department would view my action with serious displeasure. When I inquired whether the Embassy would give them help, I was informed that of course the Embassy would give them all "appropriate" help. What happened to them has already been related. In September 1945 the Department seemed to have finally reached a realization of the prestige-destroying exhibition of futility to which our diplomats had signally contributed; and the Embassy addressed a note to the Persian government stating that, with my departure, "the legal basis upon which the Mission was originally constituted ceased to exist." Having finally recognized this fact, Ambassador Murray went on to say:

Therefore, I am instructed by the Department of State to inform you that the conditions created by the Iranian Government are so different from those existing at the time the Mission was established, and the possibilities of success of a financial mission under these conditions are so remote, that the Government of the United States can no longer continue its interest in the work of the Americans in question. The American Government believes that no useful pur-

pose would be served by the continued presence in Iran of these Americans.

Copies of this note were distributed to all of my former colleagues and amounted to notice that the State Department desired them to return home as soon as possible. Thus the Department reversed itself with respect to the matter of resignations in a body and took a position that should have been taken eight months before. At that time a recognition of the facts and preservation of the Mission's solidarity would probably have saved this American undertaking.

SOVIET-AMERICAN RELATIONS IN PERSIA

In the matter of Russian obstruction of the Mission and interferences with Persian administration, we kept the Embassy fully informed of the facts. Beginning in 1943, we pointed out that the Soviet attitude and actions not only delayed and damaged the Mission's administrative work but also violated Persia's sovereignty, Russia's treaty obligations, and the assurances given in the Teheran Declaration.²² Our diplomats at Teheran received my presentation of the case with sympathy and understanding. They discussed the question with the Soviet Embassy but always apparently under the weight of a fear

²² In a letter dated April 3, 1944 I included the following paragraphs: "It seems to me that we have every reason to ask for and expect the prompt and strong support of the United States Government in this critical matter. It is not a problem that I can solve alone. If the Legation or the Department has any suggestions for action on my part that might ease the situation, I shall be most happy to receive such suggestions. Up to this time, although three months have passed, I have received no suggestions or information from the Department.

"If I am not to receive effective support from the United States Government, I can see no other course open to me but to take such further actions as I may judge appropriate in order to achieve the desired end, or, failing its achievement, to put on public record the responsibility for failure. Naturally, I have proceeded thus far and wish to proceed in the future with the utmost caution, with the single aim of preserving here the conditions essential for the success of the American Mission. I trust that the Department understands that fact."

This letter brought no acknowledgment or suggestions from the Department.

that Russia might be offended and withdraw from the war. Naturally, the discussions were ineffectual.

After mid-summer 1944, the American Ambassador proposed to practice appeasement actively and in tangible ways. I have spoken of the case of my associate whom the Russians forced out of Tabriz. I had instructed him to remain at his post while we arranged at Teheran for the renewal of his pass; and I asked the American Embassy to make representations that he might remain at Tabriz. After a conversation with Soviet representatives, the American Embassy, without further consultation with us, telegraphed the American Consul at Tabriz to suggest to my colleague that, in the interest of amicable relations with the Soviets, he should return to Teheran to have his permit renewed. He returned. The upshot was, although I had requested help from our Embassy, it was the Russians who got it.

The American task in Persia, as in other problem areas where we face Russia, has been made doubly difficult by our compromising of principles and our appeasement of Russia during and since the war,²² and by the inconsistencies and vacillations in our attitudes and actions, which did not escape Russian attention.

In the course of American relations with the Russians in Persia during the vital war years, the United States government had two points of official contact with the Soviet government, ordinary diplomacy and military co-operation. Our government, as I have said, never brought the two together into dynamic unity. Even when our State Department had the semblance of a policy and the beginnings of an executive effort, it seems to have made no thorough attempt to indoctrinate the Persian Gulf Command. If that important agency had

²² "General Donovan asserted that there was an impression among many Americans rightly or wrongly, that 'at a critical moment in the war we were so fearful—unjustifiably as it now appears—that Russia would lessen in its resistance to Germany that we went on our knees, and Russia has kept us there ever since.'" Excerpts from report of speech by General William J. Donovan, *New York Times*, Mar. 1, 1946.

been properly instructed, it might have exercised an influence over the Soviets more fruitful than any that our Embassy alone could bring to bear. Without appropriate instructions, the Army naturally did its military job, single-mindedly, serving the Soviets and asking nothing of them beyond the sphere of military and related operations.

The American practice of appeasement in 1943, 1944, and 1945 must have convinced the Russians of the weakness of our purposes and thus encouraged them to pursue their plans, while as time passed effective action on our part became increasingly difficult. When, in November 1945, the American government ordered the removal of its troops before January 1, 1946, though the Soviets gave us no promise of similar action, the men of Moscow saw another visible demonstration of our desire to escape from trouble. Secretary Byrnes finally came down to cases in his speech before the Overseas Press Club on February 28, 1946; but he spoke belatedly. When aggression has gathered momentum, speeches are not likely to stop it. One might comment similarly on President Truman's Army Day address at Chicago on April 6, 1946. Some interesting pronouncements in this address will be referred to later.

AMERICAN ECONOMIC DIPLOMACY

The application of American economic policies in Persia formed a part of the Mission's experience and, like the occurrences already mentioned, produced various inconsistencies along with a general impression of weakness and failure.

One of our purposes under the Full Powers Law was to draw back into the structure of the Persian government, of which the Mission was a part, the agencies and activities that the British and American governments had instituted or controlled in Persia. This purpose harmonized not only with the eventual and practical realization of the country's sovereignty but also with the requirements of co-ordinated administration. We made progress in carrying out this purpose; but, when the Embassy was resting on the doctrine of noninterference in Persian internal affairs, the American director of MESC (Te-

heran), with the knowledge and presumably the approval of the Embassy, pressed me to co-operate in the revival of a defunct British-American committee that had supervised the examination of the import applications of Persian merchants. The idea was to set up the committee with the British Commercial Counselor and the American Commercial Attaché as two of the four voting members. The proposal was finally abandoned.

American policy, as we have noted, looked forward to equality of economic opportunity, to the removal of trade barriers, and to the establishment of free competitive conditions. A purpose of the Mission was to eliminate the powers over trade that had been entrusted to us; not merely to get them out of our hands but to rid the Persian government of them and prevent their appropriation and use either by foreign governments or by private Persian monopolies. We desired also to stop the Persian government's participation in barter transactions. Nevertheless, while the war emergency still existed and while the United States kept in force its emergency economic restrictions, the State Department revealed an impatient desire for the restoration of Persian trade to "normal commercial channels." The prewar "normal" in Persia had exemplified in large measure the trade obstructions and discriminations that Secretary Hull had properly condemned. We were gradually getting economic activities into private hands;²⁴ but we had to proceed with due caution. For one thing, the Persian merchants did not share our interests in the welfare of the masses, in the allaying of discontent, or in the stabilizing of conditions. Had we turned trade over completely to the merchants in the summer or fall of 1944, such action would have retarded rather than advanced the realization of American principles.

Nevertheless, on July 14, 1944 the Department, apparently without recalling that it had just determined not to interfere in the internal affairs of the Persian government, telegraphed

²⁴ See pp. 119-20.

that the distribution of essential commodities was "one of the pressing problems" of Persia, and we were informed that the Department had "decided" that drugs and perhaps other commodities should be distributed as promptly and effectively as possible "even though it may be necessary to resort to private trade channels and at the risk of inefficient distribution." On August 28, 1944 Washington urged that Persia should handle its imports through normal commercial channels. I wrote the American Ambassador on September 3 explaining at some length why the proposal was premature. Not long afterward, a commission headed by William S. Culbertson arrived in Teheran to study the problem.

American economic diplomacy found striking illustration in the oil episode previously mentioned. Oil occupied a prominent place among the nationalistic objectives of the United States in the Middle East, but in the Persia of 1944 this feature of our program proved more inflammatory than lubricating. It is surprising that our government should have launched such a combustible enterprise in an unstable area in the midst of war. It is equally surprising that, in view of our devotion to three-power co-operation and to the principle of equal access to raw materials, we should have applied for the concession with no preliminary understanding with the Soviet Union and none of any practical value, unless we had a secret one, with Great Britain.

Having decided to act and to support American oil interests in this adventure, the American government should have given careful attention to its diplomatic representation at Teheran. Yet, when the oil pot had already begun to simmer, the United States government removed Minister Dreyfus who was fortified by experience and popularity. For months, while the pot boiled, our government had no ambassador at all in Teheran. When the affair reached the point of explosion, the Ambassador had arrived, without knowledge of the country or acquaintance with its people. The Department did send a qualified and level-

headed oil attaché, who might have been useful had the atmosphere been less freighted with frustration.

To make matters worse, *two* American companies sought the concession. Competition within the oil industry may be an excellent thing in the United States; but when two American companies fight it out in Persia, the effect is to confuse the Persians, and in the end the two companies are likely to kill each other off.

Had the British stayed out, the situation would have been simplified. Their entrance probably motivated to no slight extent the exhibition staged by the Russians.²⁸ Another effect was to draw America into the old economic rivalry and to associate us with the pernicious sphere-of-influence doctrine.

In the end after becoming involved in an unseemly controversy, we encouraged the Persians in their half-strong, half-weak, and unintelligent stand. With respect to the area for which American companies had made legitimate applications and were conducting proper negotiations, our diplomats, along with the British, apparently inspired the Persian government to yield to Russian bluster. In effect, our government yielded also and in the process of yielding we endorsed Persian weakness, while impressing both the Russians and the Persians with our own. Finally, having effected or accepted a postponement of the oil question until after the war, our government then failed, as events in 1946 proved,²⁹ to take any effective steps either to meet the revived Russian demands or to remove this complicating factor from the Persian situation and from the field of international rivalry.

CONSEQUENCES

Other financial missions in Persia had met defeat; but the way this one came to an end broke a tradition that had won for Americans a special and enviable distinction. The State Department apparently still had an "advisory program"; but

²⁸ See pp. 188-90.

²⁹ See pp. 196-98.

our diplomats late in 1943 showed little appreciation of the fact that the psychological moment had come to organize the program, ensure its adequacy and effectiveness, provide for its continuance, and make it a real stabilizing influence. Late in 1944, they showed an equally poor sense of strategy and timing.

In the Orient, governments as well as individuals must build and maintain their prestige. The winning of friendship, the cementing of relations, the exercise of leadership, the development of trade relations, the acquisition of economic concessions, and the general execution of policies and accomplishment of purposes, all depend on prestige. In the case of a government the most important ingredient of prestige is power. Power is most convincingly demonstrated by adequate and available military forces, by a firm insistence on respect, by complete consistency, by never taking positions that can not be maintained, and by never retreating from a position once taken.

Our appeasement practices merely served to encourage the things to which we are unalterably opposed. In the Persian mind America simply showed weakness. The cold-blooded men of the Kremlin welcomed most heartily our noninterference in Persia's internal affairs, since noninterference on our part left Persia wide open either to the subtle but effective form of Soviet interference or to Soviet-British rivalry. Our official attitude in general left Persia fully exposed to the conditions and influences that had made the country a problem area and an international danger spot.

The position that our Embassy took in Persia in 1944 and 1945 denied in practice the new internationalism that our government professed. By running away from trouble, avoiding "commitments," and abjuring anything that might look like strength, we eliminated all meaning and force from the principles that we had proclaimed and the responsibilities that we had professed. We appeared to be willing, whether we were or not, to leave the policing of this part of the world to Britain or its exploitation to Russia. The spokesmen for America generally failed or refused to admit any view or

action that might seem unorthodox to diplomats of the old school, and with a single-minded devotion born of fixed habits and narrow imaginations clung to the sterile concepts and negative attitudes of isolationism.

For all practical purposes, the withholding of support from the Mission meant the giving of support to the Persian opposition. The latter comprised virtually all of the disruptive and degenerative elements in Persian politics, along with the groups that favored Soviet designs, while it contained relatively few genuine friends of America. On the other hand, Persian supporters of the Mission, inarticulate and ineffectual though they were, included practically all of the honest and constructive elements and the sincere advocates of close Persian-American relations. Thus, our own government, unconsciously of course, took sides against reform and stability, prerequisites of Persian independence, while rebuffing the friends of America.

In the case of Persia, it is the fluid human principles, not the frozen legal ones, that need to be applied; and it is the people, not the governing class, to whom help must be given. Yet, if I have interpreted American policy in Persia correctly, we believe that we must deal with the government, no matter how grossly it misrepresents the people or how much it disregards and violates human rights. This "respect" for "sovereign" rights, though not applied consistently, led us to play along with the privileged, the racketeers, and the profiteers, against the welfare of the masses and contrary to majority opinion. Our diplomatic procedure played into the hands of a governing class, which is cordially hated by the masses, which in no way represents the people, which is probably the most corrupt in the world, and which is undoubtedly as selfish, shortsighted, and irresponsible as any since the French Revolution.

The American Mission stood for the democratic ideal and for service to the masses, in order to promote their well-being and to prepare them for independent self-government. It is

true that in 1944 the United Nations Charter had not taken final form; and so, with respect to the concept of "fundamental human rights," we may presume ignorance on the part of the Department of State and the Embassy. Yet, we can presume some familiarity on their part with the Atlantic Charter. In Persia, one could be skeptical about that document and still see that nothing but service to the people would promote stability and wholesome growing commerce. It was evidently the possibility of such service that had most interested President Roosevelt at the Teheran Conference. Nevertheless, in Persia our government within a year after the Conference lost its fundamental and humanitarian purpose in an artificial fog of technicalities. Worse than that, our diplomatic futility permitted the Soviets to appropriate and exploit the American doctrines of local liberties, social justice, human rights, and popular sovereignty.

In the Teheran Declaration, the United States government expressed its desire for the independence of Persia and promised the country continued economic assistance. Then, by permitting the destruction of the Financial Mission we lost two guarantees: (1) that Persia would do her best to make herself worthy of independence and able to protect herself against domestic disruption and foreign encroachment, and (2) that Persia would use our economic assistance for the good of her people. At the time of the Mission's collapse, the United States had assumed an obligation in Persia quite unprecedented in our diplomatic history, while Persia had escaped her obligations in a manner wholly unprecedented in Persian-American relations.

The United States stood for equality of economic opportunity and free competitive private enterprise and against totalitarianism, trade barriers, and monopolies. The Mission with its powers served in a measure to guarantee equality of economic opportunity, the elimination of monopolies, and the return of trade to free private competitive conditions. When the Mission collapsed, totalitarian Russia with its preference for a totalitarian Persia re-established direct contact in eco-

conomic and financial matters with Persian officials and regained the opportunity to exploit Persian weakness, to exert political pressure in economic affairs, to compel barter arrangements, and to seize a privileged economic position. At the same time, the elimination of the Mission left the Persian government, dominated by a political class grown commercially minded, free to return to its prewar fostering of monopolies.

The United States wished to promote its trade in this part of the world but frittered away the prestige on which economic as well as political relations largely depend. The United States desired an oil concession; and we would like also airports, contracts for irrigation projects, and possibly an agreement for operating the railway; but the American government permitted the Persians to violate with impunity their contractual obligations to American citizens.

One cannot say that the maintenance of the Mission would have prevented the occurrences of 1945 which culminated in the Azerbaidjan revolt and Russia's decision to keep her army in the North. While the Mission functioned, however, the people could feel some confidence in the public services and some hope of eventual governmental reform. Our presence, therefore, removed some of the justification and pretext for revolt. Most important of all, however, the maintenance of the Mission with no compromise or retreat would have had symbolic influence over both Persians and Russians. It would have demonstrated, as nothing else could, the purpose of the United States to hold its ground and play a strong and stabilizing role in the Middle East.

In 1946, the ineffectualness of American diplomacy and of action in the United Nations Security Council not only gave the Soviets time to continue their pressures and manipulations but also discouraged resistance on the part of the patriotic and anti-Soviet groups among the Persians. Few in these groups would dare to come out in the open against the Russians unless they felt some assurance of protection and saw some prospect of success. Judging from the attitude of our government, they

could expect little from us except technical maneuvering in the Security Council and high-minded statements of policy outside. America offered to them no promise of an effective challenge on realistic grounds to Russia's power and purposes. In fact, it appears that our government in 1946 indicated in advance that it had no objections to the grant of the northern oil concession to the Soviets.

"It is easy to see," declared President Truman on April 6, 1946²⁷ "how the Near East and the Middle East might become an arena of intense rivalry between outside powers, and how such rivalry might suddenly erupt into conflict." Persia has been such an arena for much of the last seventy-five years and particularly during the last three years. Peace, said the President, "must be pursued, unceasingly and unwaveringly, by every means at our command." So it must be; but thus far how have we pursued it in Persia? "We shall work to achieve equal opportunity in world trade because closed economic blocs in Europe or any place else in the world can only lead to impoverishment and isolation of the people who inhabit it." But how have we worked to achieve equal opportunity in Persia? "The United Nations have a right to insist that the sovereignty and integrity of the countries of the Near and Middle East must not be threatened by coercion or penetration."²⁸ Coercion and penetration, to say nothing of other objectionable practices, have been going on in Persia for three years. What have we done? Coercion and bribery will be applied to the coming Persian election. What do we propose to do? What will we ask the United Nations to do? If the United States or the United Nations does nothing or does something too late, what becomes of the "sovereignty and integrity" of Persia? What becomes of the international rivalry which "might suddenly erupt into conflict"?

²⁷ As reported in the *New York Times*, Apr. 7, 1946.

²⁸ The quotations are all from President Truman's address of Apr. 6, 1946.

CHAPTER XII

REPORT FROM THE CLINIC

To cure Persia's disease is to heal one of the world's festering sores. The primary aim of any treatment applied to the Persian area must be to safeguard world security, more specifically to remove from this region sources of tension or conflict between Russia and Britain and between Russia and the United States. No treatment of a fundamental nature or permanent effect has yet been undertaken by the three powers, the United Nations, or Persia. Unless remedial measures are applied and applied quickly, we may expect further deterioration in the situation and repeated international trouble in this part of the world. From the viewpoint of world peace, practical as well as moral and sentimental considerations indicate that Persia should continue to serve as a buffer state; and to perform that function effectively the country should be independent, at least as much so as any country in Persia's position can be.

To the demands of world security, Persia's nationalistic claims should be considered secondary; but the Persian people deserve independence, not because they have been and nominally are independent, but because they represent a cultural heritage and a cultural potentiality which merit preservation and which are most likely to revive and again flourish within the framework of independent nationhood.

Russia stands across the path, and the goal cannot be reached without Russian co-operation. It is one of America's responsibilities to enlist that co-operation. Accordingly, the Persian problem becomes in the main a problem of Soviet-American relations. What we shall do in the Persian area, therefore, must form a part of the general policy of the United States government toward the Soviet Union. We expect our government to adopt and follow a "strong" policy; no other kind will have any effect on the Soviet government; but strength

alone is not enough. Intelligence and fairness are also essential. Moreover, when the policy is adopted, it must be executed.

Public denunciation in this country of Russian actions in Persia is likely only to provoke ill feeling and counter-denunciations in Moscow, unless we have drawn a clear line between what we propose to accept and what we propose to resist. It is necessary for two reasons to draw the line and state the issues: first, so there can be no possibility of misunderstanding in Moscow and, second, so that American public opinion may be informed, rallied to the support of our government, and prepared for all contingencies. But the line must be drawn and the issues stated with extreme care. For one thing, we cannot fairly and consistently object to courses of action on the part of the Soviets similar to those that we ourselves habitually or occasionally follow. Furthermore, when we threaten to resist some undesirable type of action on the part of Russia, we must be sure that it is the kind of procedure that can be detected and proved. We must state our policy and the issues involved in such a way that we may recognize the Russian attitude beyond doubt and without delay. It is not sufficient to find out what they are doing two, three, or four years after they have started doing it.

Finally, our policy should not be wholly negative, confined to complaints and protests about Soviet behavior. We should offer to Russia not only principles that call for self-denial on her part but also a positive, constructive program in which she can participate on an equal basis and in an influential way. It is the purpose of this chapter to outline such a course of action applicable to the Persian area.

In the past, internal weakness and misgovernment in this region have invited foreign encroachment and stimulated international rivalry. Persia cannot adequately serve its international purpose as a buffer state until it has "set its own house in order." It must establish as much internal unity and stability as could reasonably be expected; and it must be able to conduct its affairs

with at least a minimum measure of purpose, strength, honesty, and efficiency. We shall examine in this chapter how these basic requirements can best be met. Having done this, we shall consider the question of policy toward Russia.

CAN PERSIA SAVE HERSELF?

To save herself, Persia must establish and maintain good government, which is to say that the country must set itself to the task of achieving political freedom and political stability through popular government, in the hope that such an attainment may be ultimately possible. The history of this land conclusively proves the failure of absolute monarchy. Dictatorship, even supposing that it governs well, offers no more assurance of long-run continuity than does absolute monarchy; and the ex-Shah's despotism, if it had not been cut short by the Allied occupation, would almost certainly have been followed either by absolute monarchy or by civil war. For Reza Shah destroyed in the souls of his subjects the qualities that fit men for self-government; and he apparently destroyed even the capacity of his people to produce dictators. From our survey of the effects of the dictatorship, one can only conclude that if the Persians deserve independence and want it, they must take the long and hard road to representative government and never again stray out of it.

A procedure that appeals to some is to persuade Russia to keep its hands off and then leave Persia to the Persians. The theory back of this suggestion is that nations, if left alone, will work out their own problems by a process of trial and error and gradually progress by learning and applying the lessons of experience. Unfortunately, this theory does not seem to hold good for all regions and races.

Nevertheless, the let-alone policy might be proper in Persia if the anti-social and politically undesirable elements could be quarantined. Since they cannot be, the proposed remedy would merely doom the long-suffering and innocent masses to further exploitation and impoverishment. Observers of the Persian scene are aware of the possibility of revolution; and one might see some merit in a real thoroughgoing revolution if it took

place without foreign instigation or complicity and led to reasonably stable and progressive conditions. The Persian masses, however, could not produce their own revolutionary leadership and keep the movement in their own hands. In a revolution, the masses either would not figure at all or would serve as the dupes of unscrupulous intriguers. Revolution would in all probability end in dictatorship and further degeneration. A tribal revolt is also a possibility; but the tribes are a minority of the people, and it is difficult to see how they could unite the country or even become united among themselves.

As a practical proposition, Persia cannot be left to herself, even if the Russians were to keep their hands off politically. Americans themselves would demand equality of opportunity and equal access to raw materials, while foreign investors would continue to compete for privileges and profits. Rights already acquired and to be acquired would call for protection. Britain, with its valuable oil property in the South, cannot wash its hands of Persia. In principle, a small country should no more be isolationist than a large one, and in practice no country can be, most certainly not one like Persia. Nor would Russia think for one moment of adopting a genuine hands-off policy toward a Persia left to itself.

Persia has never yet proved its capacity for independent self-government. It has been almost forty years since the revolution. In spite of the short-lived Shuster Mission of 1911 and the presence of a considerable patriotic and liberal leadership, Britain and Russia more or less dominated the country from 1906 to 1914. From 1914 to 1919 Persia was a theater of war and in a condition of virtual anarchy. The Pahlevi-Seyed Zia coup d'état occurred in 1921; and from 1922 to 1927 an American mission directed the financial administration, controlled the budget, and planned constructive programs. From 1926 to 1941 an irresponsible despot ruled the land. At the end of that regime, foreign armies occupied the country, while the Persian government lapsed into hopeless ineptitude.

It is objected, however, that foreign interference and Rus-

sian-British rivalry have constantly diverted the Persians from their domestic tasks and have kept the government in a state of disorganization, confusion, and paralysis. Remove this adverse factor, it is urged, and Persians can solve their internal problems. It is true that foreign interference has contributed seriously to Persia's internal political difficulties. In the period from 1921 to 1926, however, the Persians had their golden opportunity. They were substantially free of foreign interference. Peace and order reigned in the country. The constitution still held respect. Parliament functioned. Cabinets laid down progressive programs. Financial solvency had been achieved, with the means of economic development and social welfare. At this moment the Persians, as I pointed out in an earlier chapter, submitted to dictatorship with hardly a sign of dissent. Subsequently until 1941 the country suffered little from British or Russian interference; but dictatorship strengthened its hold and, incidentally, brought in foreign interference from another quarter, Nazi Germany.

A previous chapter of this book set forth the conditions that contribute to and characterize misgovernment in Persia.¹ It was pointed out that this territory is not yet a nation. The mentality and morality of the general population and of the governing classes correspond in almost no particular with the qualities of mind and character that citizenship and leadership in a self-governing, progressive society demand. No signs appear of an encouraging institutional evolution. Press, public opinion, and parties are markedly inadequate. The bureaucracy, though swollen in size, is rudimentary with respect to essential requirements. Extreme centralization and totalitarian tendencies, together with the absence of local self-government, emphasize the general governmental retardation and maladjustment.

SUGGESTIONS FOR A PRESCRIPTION

If the problem presented by Persia is to be solved, a planned and organized effort must be made (1) to protect the country

¹ Chap. 6.

from unwholesome foreign interferences and (2) to provide for its internal reconstruction and progress.

The withdrawal of Soviet armed forces from the country is an essential step toward meeting these requirements. Without Soviet observance of its existing treaty obligations and its obligations under the United Nations Charter, there could be little hope of protecting or assisting Persia through any future international agreement. If and when this condition is fulfilled, the three powers and Persia should establish by treaty the principles and procedures that seem best adapted to meet the two general requirements mentioned above.

The first part of the treaty would deal with those aspects of the problem that are most directly of international concern. The agreement would guarantee the territorial integrity of the country. It would have to rule out any process of dismemberment in the form of an "autonomous" Azerbaijan or an independent Kurdish state. Other provisions would, for the most part, have a negative and, to some extent, a self-denying purpose. The object would be to terminate unilateral armed interventions, undercover political pressures and manipulations, the sphere of influence idea, competitive concession-grabbing, and other undesirable economic practices. The treaty would presumably embody the principle of equality of economic opportunity and the doctrine that Persia's natural resources should be developed primarily for the benefit of Persia and without exclusive privileges for any other nation. It should now be fully evident that exclusive foreign concessions in Persia are no more desirable than unilateral armed interventions or unilateral fifth columnism. Any future oil development in the country should be assigned to international companies with as much Persian participation as may be possible; and I can see no reason from the standpoint of principle why consideration should not be given to the purchase by international companies of existing concessions, including the Anglo-Iranian concession in the South and the fishing rights in the North. The Soviet Union should be guaranteed freedom of transit to the Persian Gulf and a free port on the Gulf.

The second part of the treaty would deal with the internal affairs of Persia; but, before suggesting what the treaty might say in that connection, we should be clear about what needs to be done in Persia.

To reach the goal of measurably responsible government, serviceable stability, and reasonably assured progress, Persia will have to carry out as comprehensive and as drastic a program as can well be imagined, with its various features properly timed and co-ordinated. The program that is here envisaged is not an academic conception. It rests on the fact that from many points of view Persia is a primitive country and from most points of view retarded. Her modernism, largely superficial, has itself created maladjustments. Her psychopathy has been aggravated and her moral degeneration accelerated by dictatorship, war, Allied occupation, and inflation; but the roots of the mentality and public morality of the people go deep into the history of the country and spread through the whole social system.

It is not intended in this place to set forth a complete, detailed, or final program. The purpose is to indicate its objectives and the lines along which it should be developed.

The general objectives are: (1) to bring about national unity; (2) to ensure order and security; (3) to establish efficient and honest administration; (4) to place public finance on a sound basis; (5) to promote the prosperity of the masses; (6) to provide for health, education, and social welfare; and (7) to introduce the essentials of democratic government.

How can national unity be promoted? The tribes must be put on their honor and fairly treated. They should be permitted to police themselves, share in the adjudication of land claims, enjoy a measure of self-government, and be ensured freedom to pursue their way of life. For the country as a whole, local self-government, long promised and long denied, should be gradually introduced in such a way as to develop community co-operation, initiative, and responsibility. Local self-government, however, should never mean the type of "autonomy" that spells the virtual dismemberment of the coun-

try. General and local discontents can be relieved by justice, security, and public welfare measures. Persians are not naturally a disorderly or a rebellious people. When they are well governed, they can be easily governed. Contrary to the usual thinking of Persian politicians and bureaucrats, unity will come, not through centralization, but through decentralization, not through the concentration of power and services at the capital, but through the spreading out of authority and benefits to the frontiers.

Such steps will do much to restore and maintain order; but just government must be strong government, prepared to deal swiftly and firmly with revolt in the provinces or with treason at Teheran. Weakness of government has been both cause and effect of disorder and banditry; but Persia cannot achieve strength and order through militarism. Militarism is one of the standing threats to internal security and free government. Conscription should go; likewise the Army with its lords, puppets, playthings, and graft. The present gendarmerie should give way, as Colonel Schwartzkopf recommended in 1944, to a national police force, mobile, well-equipped, honest, loyal, and disciplined. This force should be under civilian control, connected in no way with the Shah and his court.

Security and order require also the reorganization of the Ministry of Justice and the courts, probably a revision of the civil and criminal codes, and certainly a simplification of judicial procedure, along with a strict insistence on honesty among prosecutors and judges.

To place public finance on a sound basis does not present great difficulties, provided the necessary basic laws are enacted and the politicians are prevented from interfering with the process of execution. In taxation, emphasis must shift from the indirect and regressive monopoly profits and taxes on goods to the progressive direct taxation of property and income. Heavy inheritance taxes can serve social as well as revenue purposes. Local sources of revenue should go to local governments, not only to pay their expenses but also to develop in the people a close and personal sense of public responsibility.

Budgeting, accounting, and financial control require thorough reorganization and simplification.

To promote the prosperity of the Persian masses is a desirable end in itself; but rising national income also provides revenue for health, educational, and other social services. Moreover, a generally rising standard of living is an indispensable feature of the process by which the essentials of democratic government are to be introduced. The program will recognize agriculture as the basic industry. Agricultural development, as well as social justice, requires a radical alteration of the system of land tenure, the breaking up of large holdings, and the substitution of peasant ownership and village co-operatives for the feudalistic, exploitative, absentee landlordism that now largely prevails. The vast and tangled accumulation of land claims and disputes over land titles represents in part a heritage of ancient customs, in part the fruits of governmental incompetence, and in part simply conscienceless land grabbing. Those who set out to reform and develop Persia must dispose of this Augean accumulation with as much justice as possible but in any case quickly.

On the physical side, agricultural development should include the repair of existing irrigation systems, the construction of new projects, and insurance against famines. On the social side, it should include rural education, improvement of villages and housing, and encouragement of village industries and handicrafts. Reforestation should be a part of the program, along with forest conservation.

Industrial self-sufficiency is for Persia an unsound economic policy and an expensive sacrifice to nationalism. Government ownership and operation of factories and operation of mines, except in a few instances, represent political, administrative, and financial liabilities, as well as economic and social waste. As a general policy the factories should be sold and the mines leased to Persian companies, with no participation, guarantees, or subsidies by the government. Tariff protection may be desirable but should not be given without most careful study. Reasonable labor standards should be set up and enforced; and

child labor prohibited. The economic and operational problem of the railway also calls for study and action.

Like all other parts of the undertaking, the public health program requires specialized elaboration; but it is apparent that in this field Persia should emphasize prenatal, infant, and child care and the prevention of contagious and infectious diseases. The cities require water and sewerage systems, and the villages filtering and purifying facilities. A health educational campaign should emphasize the requirements of personal hygiene and the dietetic needs of the people. Poppy cultivation should be reduced to the requirements for medicinal opium, possibly prohibited altogether. Drug addiction must be seriously and efficiently combated. Sanitary measures and health education are not likely to be fully effective in the absence of generally better housing.

We should approach the educational part of the program with the knowledge that the Persians need fundamental and many-sided rehabilitation. Education in this broadest possible sense is not just another item in the program: it is the central and vital feature and the final test of success. What the situation calls for primarily is not formal schooling. The prime need is for emotional adjustment and moral regeneration. The country requires a thorough physical and spiritual cleansing. Any formal educational effort will meet frustration unless other measures—governmental, financial, economic, and social—combine to produce an environment fit for children to grow up in and designed to make them reasonably good citizens.

For it is the quality of good citizenship, with the sense of freedom and of dignity, of co-operative life, and of social responsibility, on which we must rely for the introduction and preservation of stable, responsible government in this country. Persia must have and enforce laws providing for free and fair elections, a secret ballot, and an honest count of the votes; but such laws and their enforcement will not give Persia popular government. Back of the mechanics there must stir in a representative section of the population the mental, moral, and

emotional urges that prompt men to criticize their rulers and repudiate those who misrepresent and misgovern them.

The idea is not to impose on the Persians a preconceived, idealistic, or cut-and-dried set of formulas or remote aims without reference to the Persian way of life and without respect for Persian feelings. It is not only desirable but indispensable to preserve Persia's native customs and distinctive culture. It is the so-called modernists, particularly the ex-Shah, who have done greatest violence to the wholesome and functional features of Persian life. Reconstruction must build on the historic foundation. The basic purpose is to release and restore the Persian personality, not to remake it. The idea is not to fit these people into an imported or artificial mould, but to give them freedom and means to live and express themselves.

The enterprise of which I am speaking must be in the main a native effort. Practically every general feature of this program would be acknowledged by thinking Persians to be sound and acceptable. Attempts have already been made to do something about many, perhaps most, of the items; but in practically all cases the efforts have never passed beyond the stage of words or unenforced laws.

One can entertain not the slightest hope that Persia, left to herself, will ever carry out such a program. The governing classes, the professional politicians, and the racketeers, entrenched and leagued together, will take none of the radical actions that are necessary for the salvation and progress of their country. In order to save herself, Persia must now create the prerequisites of democratic government and, while she is doing this, keep order in the country, regain and maintain financial solvency, avoid economic setbacks, deal fairly and honestly with foreign interests, and hold in check subversive movements and disruptive forces. Such a task could be accomplished only by a government already strong and stable and already conscious of its responsibility to the people. If the Persians could accomplish such a task without outside assistance, they would not have permitted the dictatorship and, regardless of their international difficulties, they would

put a speedy end to the present weakness, corruption, and incompetence. Persia plainly lacks the necessary recuperative powers. She cannot pull herself up by her own bootstraps, because she has no bootstraps and no will to make the effort.

HOW SHALL THE DOCTORING BE DONE?

Our conclusion is that Persia, unaided, cannot make the adjustments and create the conditions essential for stability, development, and progress; but, before returning to the question of the treaty, it is necessary to inquire how the required help can and should be provided. In making this inquiry we have available an abundance of information derived from American experience in the country, as well as from Persian experiments in which Americans have not been involved. We must also take into consideration the conditions inside and outside the country that determine the adequacy and effectiveness of different types of assistance.

One proposal, frequently adopted in the past and still advanced, is for the Persian government to employ foreigners to serve in a private capacity as advisers and experts. The principal appeal of this means of help is that it conforms with the doctrine of Persian sovereignty and involves no responsibility on the part of the foreigners concerned or the country from which they come. For this reason, the proposal is likely to appear attractive to Americans who remain in an isolationist mood and fear "commitments." Private advisers in Persia, as I have pointed out, have always proved disappointing, not with regard to the soundness of their advice, but rather with respect to execution and results. Because of Persia's political system, the government cannot and will not sacrifice special interests and privileges to the general welfare or take action that might antagonize any influential individual or group. Moreover, Persian cabinets, whether well or ill disposed, do not stay in office long enough even to get a reform program started. Foreigners who serve privately as advisers or as administrators under Persian direction are worse than useless.

Technical specialists, when they are not the undercover

political or military agents of a foreign country, have served and can serve a limited purpose with benefit to Persia and credit to themselves; but technicians cannot determine broad policies, much less regenerate a people, build a democratic state, or stabilize an area of international tension.

Another suggestion, likely to attract those who think in national terms, is that economic development and foreign investments will meet the needs of Persia. Development and construction must occupy a prominent place in the creation of an independent and democratic nation; but if we center our attention too greatly on the engineering features of the program, we shall fall into Reza Shah's error of building things which do not contribute to the public welfare and which the people cannot maintain and operate. Those who formulate and carry out the needed development program must keep steadily in view the Persian peasant, ragged, diseased, ignorant, "bowed by the weight of centuries," and, in a quite true sense so far as Persia is concerned, bearing "upon his back the burden of the world." If we do nothing to make a citizen of him, we shall have totally failed. Foreign investments, in themselves, offer no assurance of help. To help him, we must substitute for the vicious circle that has caught and degraded him a beneficent progressive spiral of influences which in time may lift him and the country to a higher level.

On the international side of the problem, economic development and construction projects financed by foreign capital would mean intensified international competition little different in character from that which has plagued Persia since 1870. The immediate effect would be more pulling and hauling on a weak and corrupt government.

The oil and other mineral resources of the country, as well as its fisheries, if wisely managed may contribute substantially to the general standard of living and the revenues of the government. Similar benefits may come from the reformed manufacturing industries. If this part of the program is left to the initiative or to the profit-making viewpoint of foreign investors, they are likely to ignore those items which are in-

appropriate for large-scale financing and management. Moreover, no large-scale project of any kind can be undertaken on a sound basis until the government again becomes solvent and, on the basis of a sound financial program, exercises strict control over the budgets and expenditures of all the departments.

Accordingly, unless the government itself is reformed and guided, no hope exists that the country can be rebuilt. Without good government, economic development can take place only in a lopsided and hit-or-miss manner. It may benefit the politicians and their pseudo-business colleagues, but hardly the Persian people; and opportunity for investment would remain restricted, instead of widening with the growth of prosperity.

Of all the devices tried in Persia, the three American missions made the best showing, equipped as they were with authority and unity and, in the latter two instances, with a contractually allotted period of time in which to work. The Russians drove Shuster out before he could get started. Even under the more favorable conditions that existed from 1922 to 1927, the success of the second Mission, as we can see now, was partly illusory and almost entirely transitory. Our financial reforms helped Reza to consolidate his dictatorship. Our main accomplishment was to finance the forces of reaction and degeneration; and we could not help ourselves. For, without Reza, we would not have lasted as long as we did. The latest experiment took place under more complicated and difficult conditions; but it came to an end for the same reason: the Mission had no power within or outside of itself to withstand the opposition aroused by the doing of the job.

The situation called for more than the doing of the job until the expiration of the contracts. Our jurisdiction and authority were both so limited as to destroy much of our effectiveness; and the period allotted us by contract was altogether too short. At the time of my communications to the President, Harry Hopkins, and the State Department in December 1943 and January 1944, the United States gov-

ernment had an opportunity to place its help to Persia on a better basis; but the opportunity passed.

Any new foreign effort to help Persia should avoid past errors and fully utilize previous experience. From the record of experiments and failures, we can draw certain general conclusions: (1) that the undertaking should be comprehensive, covering all authorities, agencies, and subjects that are involved in the solution of the problem; (2) that the effort should be given a long enough period for the accomplishment of the task, say from 25 to 50 years; and (3) that, to assure strength, continuity, and prestige, the enterprise should stand on a treaty foundation.

This full-scale attempt obviously cannot be exclusively British or exclusively Russian; and, in my opinion, it should not and probably could not be exclusively American. Said President Truman on April 6, 1946:

If peace is to be preserved and strengthened in this important section of the world, however, we cannot be content merely to assure self-government and independence. The people of the Near and Middle East want to develop their resources, widen their educational opportunities, and raise their standards of living. The United States will do its part in helping to bring this about.^a

It is good to know that the United States will do its part; but we cannot plan our part until we understand what the whole job involves. If we assume "self-government and independence," American help is not likely to reach many of the people. The benefits may go no farther than the governing class or the military clique. From the international point of view, however, a serious American undertaking, comprehensive or limited, would be open to much the same jealousy, suspicion, and opposition as an unofficial American mission. It would represent entanglement without control of the situation. It would not produce any tangible check on Russian designs or embody any practical realization of three-power co-operation. Furthermore, it would be difficult to divorce an American

^aAs reported in the *New York Times*, Apr. 7, 1946.

undertaking from the Department of State and American diplomacy. The process of modernizing, renovating, and re-orienting our foreign affairs organization will take time. The Persian problem cannot wait.

It has been suggested that the Economic and Social Council of the United Nations organization be called upon to make a survey and propose a five-year plan for Persia's economic development. What is needed, however, is not a single survey or a single plan. The situation calls for a preliminary general program, and, after that program has been adopted, a continuous series of elaborations and adaptations, with day-to-day supervision and constant contact with the process of execution. Rarely in times of trouble has the Persian government been unwilling to receive advice. In fact, the announcement of reforming purposes and programs is the usual political practice in times of extreme embarrassment. Persia needs guidance most at the different stages of execution and in the daily work of administration. The problems that arise at these stages and in the decisive executive task cannot be foreseen very far in advance. It may be doubted that the Economic and Social Council could maintain the necessary organization in Persia for the required period of time; if it could, it would probably encounter the same difficulties that would be met by an exclusively American effort, either governmental or private.

It would seem that the task of internal guidance must be entrusted to the three great powers. Unless the United States, Russia, and Britain can find a way to co-operate effectively in this enterprise, it is difficult to see how anything adequate and constructive can be achieved by any means. The carrying out of the principles and procedures provided for in the first part of the treaty that I have suggested should be supervised on the ground by a three-power commission, in order that questions may be cleared up as they arise, and before they crystallize into complicated situations and acrimonious disputes. It would be appropriate for the same commission to supervise the internal reconstruction effort. The commission's func-

tions and jurisdiction in this connection, the general objectives toward which it should guide the Persian government, and the period during which the commission should operate, would form the second part of the proposed treaty.

It should be understood that the duties of the three-power commission would be confined to supervision and general policy-making. The operating organization would have its sub-missions in various ministries and its center and heart in the Ministry of Finance. The organization as a whole should be integrated, with full directing authority vested in its head. Evidently, the directing head should be an American. It might be feasible and desirable to enroll a number of Russian and British specialists; but these should be responsible to the American director. Russians should be assigned to the South as well as the North and British to the North as well as the South. The American directing head should report and be responsible solely and directly to the American-British-Russian commission.

Now we come to the question whether the functions of the three-power commission and the organization under it should be executive or advisory. If executive, the plan would be similar in purpose and administration to an international trusteeship. The trusteeship system provided by the United Nations Charter cannot, apparently, be applied to Persia unless that country resigns its membership in the United Nations organization.³ An executive undertaking, such as the one proposed, would be consistent with certain provisions and with the general purpose of the United Nations Charter, and might in fact and in law be established on the direction and carried out under the supervision of the Security Council.⁴ On the other hand, one cannot

³ "Article 78: The trusteeship system shall not apply to territories which have become Members of the United Nations, relationship among which shall be based on respect for the principle of sovereign equality."

⁴ "Article 33:1. The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, inquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements or other peaceful means of their own choice.

2. The Security Council shall, when it deems necessary, call upon the parties to settle their dispute by such means."

be unmindful of serious practical disadvantages in international administration and perhaps also special moral objections to its establishment in Persia. It is not likely that any one of the three powers would join in the undertaking unless the commission reached its decisions by unanimous vote. The necessity for obtaining unanimity might seriously complicate activities; and the tendency might be to satisfy each of the three powers by giving it a free hand within a specified zone. If this happened, Persia would be divided into three spheres of influence. From the moral standpoint, one can see objections to what might be represented as a violation of Persian independence and sovereignty and an intervention in the domestic affairs of a sovereign state, contrary to the spirit, if not to the letter, of the United Nations Charter.⁶ This objection would doubtless be made in spite of the fact that the purpose of three-power guardianship or tutelage would be to realize the independence and sovereignty that Persia does not now possess.

The alternative would be for the three-power commission to exercise advisory functions only. With such functions, the commission might not have to follow the rule of unanimity; but the question would arise whether the Persian government would accept advice and put it into execution. If certain conditions were fulfilled, one might admit a fair chance that the commission's advice would produce the desired results. The first condition is that the Persian government shall freely subscribe to the objectives and the general program of the undertaking. A second condition is that the commission shall have a staff placed in the various Persian administrations at Teheran and in the provinces to study, assist in, and report on the details of executive work. The third condition is that the commission shall issue annually a complete report of the advice that it has given and the action that the Persian government has taken. Full publicity might go far toward ensuring a receptive attitude and adequate action on the part of the Persian government. On the other hand, were the commission's

⁶ Chap. I, Art. 2.

advice accepted by the Persian authorities, the effect on the commission itself might be about the same as if it possessed and exercised executive powers; that is, either the commission would be hampered by the rule of unanimity or its advice would tend toward a zonal character.

My own opinion is that the effectiveness of the commission depends on its authoritativeness, which must rest either on openly stated and accepted executive functions or on the exercise of veiled and indirect but compelling influence. Either method would amount to a recognition of the peculiar realities of this special international situation; and it appears to me that one procedure is as moral as the other and as much in the spirit of the United Nations Charter. The choice should go to the plan which contains the least hypocrisy and which promises the surest and quickest attainment of the two objectives: realization of Persia's sovereignty and independence and removal of international tension.

It is easy to find examples and arguments to show that a three-power executive or advisory undertaking would be unworkable. But what do we have in Persia now except three-power control? And what can we expect in the future? During much of the last seventy-five years Britain and Russia have participated in the government of this area. So have Americans and so has the United States. The State Department and the American Embassy at Teheran do not wholly refrain from bringing influence to bear on the Persian government. Even when we hold aloof, we exercise influence. Because of our power, our position in the world, and our special relation to Persia, American abstention from interference is a form of interference. The trouble is that three-power control, past and present, has been anarchic, without common objectives or defined channels of action, born of conflict and giving birth to conflict, destructive and demoralizing in its effect on Persia and on international relations. What I am suggesting is an attempt to put foreign control and foreign tutelage on an organized and rational basis. The attempt may fail; but in a

case like this "not failure but low aim is crime"; and the attempt, even though it led to early failure, would clarify the purpose of the three powers and would leave Persia in no worse condition than before.

No perfect or certain means to solve the problem can be found. Whether the suggested commission is executive or advisory, its success will largely depend, first, on the extent to which the three powers accept in advance and with sincerity the guiding principles and objectives, and, second, on the ability of the United States government to play its decisive role with skill and persistence.

Were our government to propose such a plan, we would have something more than a policy of negation and protest. We would offer a positive, constructive means of solution, equipped with instruments of execution.* The submission of the proposal, incidentally, would state and define the issue for the foreign governments concerned and for American public opinion.

WILL BRITAIN, RUSSIA, AND PERSIA CO-OPERATE?

Judging from the record, Britain would welcome and accept a proposal for a three-power guidance of Persia. Regarding the attitude of Moscow, one can find little basis for an optimistic forecast. The Soviets are having their way at present, despite the possibility that situations have not developed exactly according to their plan. Russia has evidently been counting on American indecision, aloofness, or neutrality and on the improbability that the United States will take a definite stand. From the Soviet point of view, the Persian problem, in its international aspect is simply the old British-Russian rivalry, or, as the Soviets might put it in the language of slogans, a contest between communism and Soviet "democracy" on the one side and British "imperialism" and "coloni-

* "Our diplomacy must not be negative and inert. It must be capable of adjustment and development in response to constantly changing circumstances. It must be marked by creative ideas, constructive proposals, practical and forward-looking suggestions." Secretary of State Byrnes, Address, Feb. 28, 1946, *New York Times*, March 1, 1946.

alism" on the other. From this point of view, America's expected role would be that of a verbal upholder of general principles or a neutral mediator between Russia and Britain. Neither of these roles would actually put American power in Russia's path. Our ability to bring the rulers at Moscow to a constructive solution depends almost entirely on the extent to which we talk to Stalin in the language of power and in realistic terms.

The situation demands from the United States government a strength in this region that it has not hitherto shown. We would be stronger now in the eyes of both Russia and Persia if we had practiced less appeasement, exhibited less disposition to run away from trouble, and made fewer blunders. It is easier to keep what you have than to get it back after letting it go, and we have less now in Persia than we had in 1943. The American Army and the Financial Mission are gone. The State Department's failures in 1943, 1944, and 1945 to seize opportunities and its lack of perception at critical times and on strategic issues needlessly sacrificed diplomatic advantages and exchanged a strong position for a weak one. By our strait-laced deference to Persian sovereignty we did not help Persia toward the realization of its independence; but we tied our own hands, prevented ourselves from meeting Russia on realistic ground, and permitted the Soviets to continue their undercover manipulations. Our show of vigorous leadership in the United Nations Security Council in March-April 1946 ended with an act of appeasement. In effect we endorsed Persia's surrender to the Soviets.

The Persian problem, however, is only a detail of the world picture. One can not expect three-power co-operation in one area until it has become possible in other areas—in Germany, the Danubian basin, the eastern Mediterranean, Manchuria, Korea. The development of settlements and of concrete co-operative arrangements depends in turn on the removal of reciprocal distrust.

For example, let us suppose that a Soviet student applies to the United States the five criteria of foreign policy previously

mentioned. He would doubtless emerge from his study with considerable confirmation of that suspicion which we find so inexplicable in the Russian mind. He might discount or fail to understand the reorientation of outlook and thinking through which we are passing. He would take note of our historic territorial expansion which was not without instances of aggression, of the Monroe Doctrine, of American regionalism, of American interventions in Latin American countries, of the way we "took" Panama, of our many past disclaimers of interest in eastern Europe and the Middle East, of our nationalistic concession-hunting during the war, of recent evidences of militarism in our official thinking and speaking, of our demand for bases, of our secrecy regarding the atomic bomb and our theatrical tests of its annihilating properties, and of various other seeming evidences of preparation for another war, one that could only be with Russia. This student would doubtless also take note of our armed intervention in Russia itself after the Revolution of 1917, our long coldness toward the Soviet government, and the fact that today the United States as a nation stands forth as the champion of fundamental economic and political doctrines that are directly opposed to those on which the Soviet state is based. Russian misunderstanding, if it exists, is not without reason.

Persia should on her own initiative request organized assistance from the three powers. If she made the request acknowledging her weakness and her obligation to the world community, she would be in a much stronger position before the United Nations and world opinion than if she continued stubbornly to insist on her technical rights to sovereignty and to noninterference in her internal affairs. Persia can expect not less but more foreign interference. She has a choice between two kinds: that which destroys all hope of the future realization of independence, and the kind that, more surely than any paper guarantees, will make independent national life eventually possible.

But what of Persian nationalism? For the most part, as I have said, Persian nationalism is displayed, not felt. It is

displayed as a political weapon, as an expression of antforeign prejudice, as a psychological defensive mechanism, and as a reflection of individual egotisms. Nationalism, in the form that Persian extremists express it, is a disease not a sign of health and growth; it is a reactionary and crippling, not a progressive and liberating, influence. The genuine and rational nationalists are likely to be farsighted in their patriotism and willing to subordinate their pride temporarily to the ultimate good of their country. Some Persians who might otherwise despair trust to the proverbial luck of their country; but whatever luck it may have had in the past appears now to have about run out.

And what of the Persian governing class? Certainly this class would not willingly accept the proposed solution, but might do so as, from its point of view, the least of two evils. The members of this class are likely to fear three-power guidance less than the approach to communistic dictatorship. They are not presented with agreeable alternatives. They, the nationalists, and others have few unalterable or deep-seated convictions. This mercurial people can change overnight from one posture to another.

Nevertheless, in the existing state of Persian affairs it would seem hopeless to approach either the Soviet or the Persian government with the proposal that I have suggested. It is possible, however, that a favorable opportunity may again present itself. If the Soviets should fail to capture the Fifteenth Majlis, and if a majority of the Parliament should stand firm against the proposed oil arrangement and against any dismembering autonomy for Azerbaidjan, the Soviets might be willing to consider a change of tactics. They might see in the proposal for three-power guidance a means of saving their "face" in the view of the Persians; but even then the men of Moscow would be unlikely to see the proposal in any favorable light unless in the meantime a drastic transformation had taken place in the world-wide relations of the three powers.

The favorable opportunity that I have just mentioned may

be the last one offered to American diplomacy in this area; and inaction may lose it, as other opportunities have been lost. If, as President Truman says, the United Nations has "a right to insist" that Persia shall "not be threatened by coercion," then it would seem to follow that the United Nations can implement and enforce that right by insisting on supervision of the coming elections. Without such supervision we can be sure that candidates will be intimidated and voters coerced and bribed. The actual procedure will be camouflaged, but it will amount to a Soviet-controlled election. If the result is a Soviet-controlled parliament, what becomes of the "sovereignty and integrity" of Persia?

This proposal for supervision of the election, like the more far-reaching plan, is unlikely to be officially advanced, much less put into effect, without a thoroughgoing change in three-power relationships. Some time soon, the American and British governments must decide whether Soviet co-operation is attainable on terms compatible with the security of the West and a peaceful world order. Moscow appears already to have accepted the alternative, a division of the world into two power blocs. If the United States and Britain decide likewise and act in accordance with the decision, they must draw a line around what they consider to be the Soviet world and take their stand together in uncompromising defense of that line. Whether Persia should be on one side or the other or half on one side and half on the other must also be decided.

AMERICA'S CHOICE

If America is to measure up to its new position in the world, the American people require leadership, informed, unafraid, and unfaltering. Abroad, we need organization, informed and executive, to keep leadership and policies adapted and effective. Our present organization, dominated by its peculiar state of mind, is perilously obsolete.

In an era of internationalism, when economic and political questions are interwoven, when foreign and domestic issues are intermeshed, and when our security depends on the con-

structive solution of complex problems, our foreign affairs organization should be not only superlatively competent but also frank and direct, affirmative, vigorous, courageous, keyed to action, and adjusted to executive and administrative performance. In the atomic age, when overwhelming war may come without warning, except as our diplomats may sense and report it, we cannot afford a two-year or three-year lag in our first line of defense. The facts and the techniques of advancing totalitarianism still confront us; and these are among the phenomena of a fluid world. What has happened in Persia indicates the hopeless inadequacy of our diplomacy in such a world.

In the strategic area between the Caspian and the Persian Gulf, in the presence of the first massive breach of the Middle East, the United States may already have lost its last opportunity for effective peaceful measures. As total failure approaches, action becomes more difficult and the remaining choices more unpleasant and dangerous.

The Persian problem has served as a test and a demonstration. It has tested the Persians in a special way and each of the three great powers in a different way. It has tested three-power co-operation and the United Nations. The test has been adequate and timely; the demonstration has been complete and opportune but alarmingly disappointing. In our own country, the problem has tried out the quality of our national leadership and the effectiveness of our foreign affairs machinery. Here again the results have been far from reassuring. Of one thing we can be certain: Persia has not proved the failure of the new internationalism. What we have practiced there and what has thus far failed is pre-eminently the old isolationism.

It is not by smallness or weakness, by hesitancy or timidity, by avoidance or postponement, that we can satisfy our conscience at home and regain respect abroad. We can do so only when we move forward with confidence and courage toward constructive achievements commensurate with our re-

sponsibilities and with the greatness and power of our country. In no other way can we realize for ourselves and for the world the high and practical purposes to which we have dedicated ourselves. We live in a new world; we must think and act accordingly. We must not merely sense its perils; we must know its realities and meet its demands.

APPENDIXES

APPENDIX A
THE LAW OF ENGAGEMENT OF THE ADMINIS-
TRATOR GENERAL OF THE FINANCES

November 12, 1942

By The Grace of Almighty God
We
Pahlevi Shahinshah of Iran
(The Imperial Seal)

With a view to the Article 27 of the Constitution Supplementary Law, ordain that:

Article I.

The Employment Law and the Scope of the Powers of Dr. Millspaugh Administrator General of the Finances passed by the Majlis in their Session of 21 Aban, 1321, (Solar Calendar) appended to this Firman shall be enforced.

Article II.

The Council of Ministers is charged with the enforcement of this Law. Dated 1st Azar, 1321.

ENGAGEMENT LAW AND THE SCOPE OF POWERS OF DR. MILLS-
PAUGH ADMINISTRATOR GENERAL OF THE FINANCES

Article I.

The Majlis authorizes the Government to employ Dr. Arthur C. Millspaugh, citizen of the United States of America, as Administrator General of the Finances for a period of five years with such duties and powers as are provided by this Law.

Article II.

The beginning of employment will be from the date of departure of Dr. Millspaugh from Washington; and, after expiration of three years, both the Iranian Government and Dr. Millspaugh have the option to continue or terminate the remaining two years of the period of employment, provided each party has given four months advance notice of his intention to terminate.

Article III.

His salary will be 18,000 U. S. Dollars payable monthly in equal instalments in U. S. Dollars and in addition a residence suitable to his position, together with heat and light, shall be provided by the Government.

Article IV.

Traveling expenses to and from Iran for Dr. Millspaugh and his immediate family shall be paid by the Iranian Government, and furthermore his travelling expenses in Iran for performance of service shall be undertaken by the Government.

Article V.

Dr. Millspaugh will be entitled to one month leave of absence with pay each year and this leave will be cumulative for three years and used within or outside of Iran. If not taken till the termination of employment he will have no right to any pay on account of leave in addition to his regular salary.

Article VI.

If, by reason of death before the termination of the period of employment or by reason of disability caused by service for the Iranian Government, his services are terminated, the Government will pay Dr. Millspaugh or his heirs an amount equivalent to two years salary in addition to his or his family's return expenses. If the above causes occur during the last years of employment, he or his heirs will be entitled to payment of salary for the unexpired period of employment only.

Article VII.

In case of termination of the contract of employment for reasons other than those mentioned in Article VI, the Iranian Government will treat Dr. Millspaugh in an equitable manner.

Article VIII.

The Administrator General will, under the supervision of the Minister of Finance, have immediate charge of the entire financial administration. He will have full authority to prepare the budget subject to the approval of the Minister of Finance; and in case reorganization may become desirable he will, with the approval of the Minister of Finance, reorganize the Ministry of Finance and such other offices of the Government as are directly concerned with the receipt, accounting for, and disbursement of public funds. He will have the right, after consulting with the Minister of Finance

and in accordance with the Civil Service Law, to appoint, promote, demote, transfer, or dismiss any employee of the Ministry of Finance or in offices connected with the financial administration or in establishments directed by Government capital, and in such other offices of the Government as are directly concerned with the receipt, accounting for, and disbursement of public funds. He is also required in co-operation with the Minister of Finance to investigate the conduct of any employee who may be complained of by the Minister of Finance and to take appropriate measures. Before taking any action or adopting any decision regarding financial matters, the Iranian Government will consult the Administrator General. The Administrator General will have the right to attend meetings of the Council of Ministers and committees of the Majlis when financial questions are being discussed.

Article IX.

With due regard to the relative Laws, payment or transfer of public moneys shall be made, Government properties shall be transferred, taxes and charges authorized by the Law shall be reduced or cancelled over the signature of the Minister of Finance and concordance of the Administrator General. No financial obligations shall be incurred by or in the name of the Iranian Government without the written approval of the Minister of Finance and the Administrator General.

Article X.

The Administrator General or any assistants designated by him shall be given at any time when required in the performance of their duties full and unrestricted access to all documents, records, laws and decrees and to all books and records of account relative to the finances or any branch thereof.

Article XI.

Engagement of foreign experts and their assistants for service in the Ministry of Finance or offices connected with the financial administration shall only take place on the request and proposal of the Administrator General and all of them will be responsible to him. The Administrator General shall submit to the Iranian Government recommendations and legislative drafts for creation of new sources of revenue, amendment of the existing financial laws, improvement of methods of administration, control of accounts, transfer of public funds, economy in public expenditures, economic developments and welfare of the country.

Article XII.

The Administrator General shall prepare and submit to the Minister of Finance monthly and annual reports giving detailed statistics and information on revenues, expenditures, currency, banking, exchange, etc. All official correspondence and books of account must be in the Iranian language.

Article XIII.

Whenever a question of precedence arises the Administrator General shall rank next to the Minister of Finance.

Article XIV.

The Administrator General shall not interfere in political or religious matters and must not be connected with any private undertaking. In general, except as his activities are regulated by this Law, he must act in accordance with the Laws of Iran already in effect or later enacted.

Article XV.

If any dispute should arise in the interpretation and execution of these powers and duties the Administrator General must co-operate with the Government and the Minister of Finance in the settlement of such disputes and in case the dispute should last those concerned must not take any action before knowledge and decision of the Majlis.

Article XVI.

The Government is permitted to authorize the Administrator General to select, in addition to one American typist and one American secretary, six other experts of United States nationality for different branches of the financial Administration, who will accompany him to Iran. Names, amount of salary, duration of employment and position of each one of them shall be specified in a separate Law.

This Law consisting of XVI Articles was passed by the Majlis in their Session of 21 Aban, 1321.

President of Majlis
H. ESFANDIARI.

APPENDIX B

THE FULL POWERS LAW OF MAY 4, 1943

His Imperial Majesty's Firman regarding the enforcement of Dr. Millspaugh's Powers Law pertaining to the lowering and stabilization of the prices of goods, together with the text of the said Law passed by the Majlis in their session of 13th Ordibehesht, 1322, is communicated hereunder:

By the Grace of the Almighty God

We

Pahlevi Shahinshah of Iran

(The Imperial Seal)

With a view to Article 27 of the Constitution Supplement Law ordain that:

Article I.

Dr. Millspaugh's Powers Law pertaining to the lowering and stabilization of the prices of goods, passed by the Majlis in their session of the 13th of the month of Ordibehesht, 1322 (Solar Calendar), appended to this Firman, shall be enforced.

Article II.

The Council of Ministers is commissioned to enforce this Law. Dated 19th Ordibehesht 1322.

Article I.

Dr. Millspaugh, the present Administrator General of the Finances, is authorized to control the procuring of non-food commodities, all raw materials and finished goods, and the importation and exportation of goods, and transportation, stocking and distribution thereof. He is also authorized to control rents of real estates and charges for other services and wages.

Note 1.

The determination and fixing of rents of real estates shall take place according to regulations drawn up by the Minister of Justice and the Administrator General of the Finances.

Note 2.

In so far as export and import commodities are concerned the kinds of commodities to be controlled shall be previously announced.

Note 3.

Such food commodities as are deemed necessary by the Ministry of Food and the Administrator General of the Finances to come under the provisions of this Law, shall, according to the proposal of the Ministry of Food and the Administrator General of the Finances after the approval of the Council of Ministers, be put under the control of the Administrator General of the Finances.

Article II.

The Administrator General of the Finances is authorized, for the execution of the duties established under Article I, to make use of all the powers that have been granted to the Government by the Laws of 24th Khordad 1321, 30th Mehr 1321, the Anti-Hoarding Law of 27th Esfand 1320, the Foreign Trade Monopoly Law of 6th Esfand 1309, and the Monopoly Law of 19th Tir 1311.

Article III.

For the execution of such powers the Administrator General of the Finances may issue coupons, maintain a goods store, or take any other action that he may deem useful and necessary for the lowering of prices and stabilization of prices of goods and their fair distribution.

Article IV.

For the expenses incurred through the execution of this Law during the year 1322 a credit of Rls. 5,000,000 is hereby granted to the Ministry of Finance and to create a capital for purchase of goods, the Ministry of Finance is authorized, if necessary, to borrow up to Rls. 100,000,000 from the Bank Melli Iran and use it as a revolving fund.

Article V.

The Administrator General of the Finances is authorized to select nine citizens of the U. S. A. as his assistants in the Ministry of Finance and choose them specially for the execution of this Law and submit their contracts through the Ministry of Finance to the Majlis for approval.

Article VI.

The regulations deemed necessary for the execution of this Law shall be drawn up by the Administrator General of the Finances and put in force.

Article VII.

Government employees whether civil or military, or employed by the Police, Municipalities or Government institutions, may on no account for their own profit take part commercially in the purchase, sale or brokerage of goods which are under Government control; nor may they trade in or acquire for profit more than their personal needs of food-stuffs. Those who infringe this rule will be dismissed from the service and will be punished according to the provisions of the Law.

Article VIII.

This law remains in force until 6 months after the termination of the present war unless it is repealed by the Majlis.

This Law consisting of 8 Articles was passed by the Majlis in their session of 13 Ordibehesht, 1322.

HASSAN ESFANDIARY,
President of the Majlis.

APPENDIX C

THE TRI-PARTITE TREATY OF ALLIANCE

January 29, 1942

His Imperial Majesty The Shahinshah of Iran on the one hand, and His Majesty The King of Great Britain, Ireland, and the British Dominions beyond the Seas, Emperor of India, and the Presidium of the Supreme Council of the Union of Soviet Socialist Republics on the other:

Having in view the principles of the Atlantic Charter jointly agreed upon and announced to the World by the President of the United States of America and the Prime Minister of the United Kingdom on the 14th August, 1941, and endorsed by the Government of the Union of Soviet Socialist Republics on the 24th September, 1941, with which His Imperial Majesty The Shahinshah declares His complete agreement and from which He wishes to benefit on an equal basis with the other nations of the World and:

Being anxious to strengthen the bonds of friendship and mutual understanding between them and:

Considering that these objects will best be achieved by the conclusion of a Treaty of Alliance:

Have agreed to conclude a treaty for this purpose & have appointed as their Plenipotentiaries;

His Imperial Majesty The Shahinshah of Iran: His Excellency Ali Soheily, Minister for Foreign Affairs,

His Majesty The King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India: for the United Kingdom of Great Britain and Northern Ireland: Sir Reader William Bullard, K.C.M.G., C.I.E.; His Majesty's Envoy Extraordinary and Minister Plenipotentiary in Iran,

The Presidium of the Supreme Council of the Union of Soviet Socialist Republics: His Excellency Andre Andreevitch Smirnov, Ambassador Extraordinary and Plenipotentiary of the Union of Soviet Socialist Republics in Iran, who having communicated their full powers found in good and due form, have agreed as follows:

Article I.

His Majesty The King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, & the Union of the Soviet Socialist Republics (hereinafter referred to as the Allied

Powers) jointly and severally undertake to respect the territorial integrity, the sovereignty & the political independence of Iran.

Article II.

An Alliance is established between His Imperial Majesty The Shahinshah of Iran on the one hand and the Allied Powers on the other.

Article III.

(1) The Allied Powers jointly and severally undertake to defend Iran by all means at their command from all aggression on the part of Germany or any other power.

(2) His Imperial Majesty the Shahinshah undertakes:

- a. To cooperate with the Allied Powers with all the means at His command and in every way possible in order that they may be able to fulfill the above undertaking. The assistance of the Iranian forces shall however be limited to the maintenance of internal security on Iranian territory;
- b. To secure to the Allied Powers for the passage of troops or supplies from one Allied Power to the other, or for other similar purposes, the unrestricted right to use, maintain, guard and in case of military necessity, control in any way that they may require, all the means of communication throughout Iran, including railways, roads, rivers, aerodrome, ports, pipe-lines and telephone, telegraph and wireless installations;
- c. To furnish all possible assistance and facilities in obtaining material and recruiting labour for the purpose of the maintenance and the improvement of the means of communication referred to in paragraph (b);
- d. To establish and maintain in collaboration with the Allied Powers such measures of censorship control as they may require for all the means of communication referred to in paragraph (b).

(3) It is clearly understood that in the application of paragraphs (2) (b), (c) and (d) of the present article the Allied Powers will give full consideration to the essential needs of Iran.

Article IV.

(1) The Allied Powers may maintain in Iranian territory land, sea and air forces in such number as they consider necessary. The location of such forces shall be decided in agreement with the

Iranian Government so long as the strategic situation allows. All questions concerning the relations between the forces of the Allied Powers and the Iranian authorities shall be settled so far as possible in cooperation with the Iranian authorities in such a way as to safeguard the security of the said forces.

It is understood that the presence of these forces on Iranian territory does not constitute a military occupation and will disturb as little as possible the administration and the security forces of Iran, the economic life of the country, the normal movements of the population and the application of Iranian laws and regulations.

(2) A separate agreement or agreements shall be concluded as soon as possible after the entry into force of the present treaty regarding any financial obligations to be borne by the Allied Powers under the provisions of the present article and of paragraphs (2) (b), (c) and (d) of article 3 above, in such matters as local purchases, the hiring of buildings and plant, the employment of labour, transport charges etc. A special agreement shall be concluded between the Allied Governments and the Imperial Iranian Government defining the conditions of any transfers to the Imperial Iranian Government after the war of buildings and other improvements effected by the Allied Powers on Iranian territory. These agreements shall also settle the immunities to be enjoyed by the Allied forces in Iran.

Article V.

The forces of the Allied Powers shall be withdrawn from Iranian territory not later than six months after all hostilities between the Allied Powers and Germany and her associates have been suspended by the conclusion of an armistice or armistices, or on the conclusion of peace between them whichever date is the earlier.

The expression "Associates" of Germany means all other Powers which have engaged in or may in future engage in hostilities against either of the Allied Powers.

Article VI.

(1) The Allied Powers undertake in their relations with foreign countries not to adopt an attitude which is prejudicial to the territorial integrity, the sovereignty or the political independence of Iran, nor to conclude treaties inconsistent with the provisions of the present treaty. They undertake to consult the Government of His Imperial Majesty The Shahinshah in all matters affecting the direct interests of Iran.

(2) His Imperial Majesty The Shahinshah undertakes not to adopt in His relations with foreign countries an attitude which is

inconsistent with the Alliance, nor to conclude treaties inconsistent with the provisions of the present treaty.

Article VII.

The Allied Powers jointly undertake to use their best endeavours to safeguard the economic existence of the Iranian people against the privations and difficulties arising as a result of the present war. On the entry into force of the present treaty discussions shall be opened between the Government of Iran and the Governments of the Allied Powers as to the best possible methods of carrying out the above undertaking.

Article VIII.

The provisions of the present treaty are equally binding as bilateral obligations between His Imperial Majesty The Shahinshah and each of the two other High Contracting Parties.

Article IX.

The present treaty shall come into force on signature and shall remain in force until the date fixed for the withdrawal of the forces of the Allied Powers from Iranian territory in accordance with Article V.

In witness whereof the above-named plenipotentiaries have signed the present treaty and have affixed thereto their seals.

Done at Teheran in triplicate in Persian, English and Russian all being equally authentic, on the twenty-ninth day of January one thousand nine hundred and forty-two.

(Seal)

A. SOHEILY

(Seal)

R. W. BULLARD

(Seal)

A. SMIRNOV

APPENDIX D

THE TEHERAN DECLARATION

December 1, 1943

The President of the United States, the Premier of the U.S.S.R. and the Prime Minister of the United Kingdom, having consulted with each other and with the Prime Minister of Iran, desire to declare the mutual agreement of their three Governments regarding their relations with Iran.

The Governments of the United States, the U.S.S.R. and the United Kingdom recognize the assistance which Iran has given in the prosecution of the war against the common enemy, particularly by facilitating the transportation of supplies from overseas to the Soviet Union.

The three Governments realize that the war has caused special economic difficulties for Iran, and they are agreed that they will continue to make available to the Government of Iran such economic assistance as may be possible, having regard to the heavy demands made upon them by their world-wide military operations and to the world-wide shortage of transport, raw materials and supplies for civilian consumption.

With respect to the post-war period, the Governments of the United States, the U.S.S.R. and the United Kingdom are in accord with the Government of Iran that any economic problems confronting Iran at the close of hostilities should receive full consideration, along with those of other members of the United Nations, by conferences or international agencies held or created to deal with international economic matters.

The Governments of the United States, the U.S.S.R. and the United Kingdom are at one with the Government of Iran in their desire for the maintenance of the independence, sovereignty and territorial integrity of Iran. They count upon the participation of Iran, together with all other peace-loving nations, in the establishment of international peace, security and prosperity after the war, in accordance with the principles of the Atlantic Charter, to which all four Governments have continued to subscribe.

WINSTON CHURCHILL
J. V. STALIN
FRANKLIN D. ROOSEVELT

1st December, 1943.

APPENDIX E

ORGANIZATION AND MEMBERS OF THE AMERICAN FINANCIAL MISSION

(At the time of its greatest operating effectiveness)

OFFICE OF THE ADMINISTRATOR GENERAL OF THE FINANCES

Miss Carolyn Davidson, Secretary
Mr. Herbert Boone, Special Assistant
Dr. Burdett G. Lewis, Research Associate

ADMINISTRATION OF PERSONNEL

Mr. William Brownrigg, Director-General
Mr. R. W. Reynolds, Assistant

STATE GENERAL SUPPLY CORPORATION

Mr. William Berriman, Director-General
Mr. Louis O. Bodin, Assistant

ADMINISTRATION OF GENERAL INSPECTION

Mr. Rex Vivian, Director-General
Mr. Stephen Nyman, Acting Director-General

ADMINISTRATION OF INTERNAL REVENUE

Mr. Melville Monk, Director-General
Mr. Harry G. Davis, Assistant
Mr. Glenn D. Morrow, Assistant

ADMINISTRATION OF CEDED PROPERTIES AND PUBLIC DOMAINS

Mr. Andrew McKay (on special duty)

ADMINISTRATION OF INDUSTRIAL SUPERVISION

Mr. Walter W. Harris, Director-General

ADMINISTRATION OF ACCOUNTS AND AUDITS

Mr. Rex A. Pixley, Deputy Administrator General of the
Finances and Director-General of Accounts and Audits
Mr. Bradley Murray, Assistant
Mr. Frank L. Hutchins, Assistant
Mr. Vernon I. Caton, Assistant
Mr. Joseph Gromel, Assistant
Mr. John W. Harrison, Assistant

TREASURY GENERAL

Mr. W. K. Le Count, Treasurer-General

Mr. Thomas Kekich, Assistant

SECTION OF CEREALS AND BREAD

Dr. Albert G. Black, Deputy Administrator General of the
Finances and Chief Administrator of Cereals and Bread

Dr. J. Forrest Crawford, Deputy Chief Administrator

SECTION OF DISTRIBUTION

Mr. Esmond S. Ferguson, Chief Administrator

Mr. J. B. Dozier, Deputy Chief Administrator

Mr. Willis G. Torbert, Assistant

DIVISION OF FOREIGN TRADE CONTROL

Mr. F. Kenerson Johnston, Administrator

ROAD TRANSPORT ADMINISTRATION

Mr. Floyd F. Shields, Director-General

Mr. John L. Hurst, Director, Division of Transportation and
Maintenance

Mr. Edward V. Breitenbach, Director Division of Administration

Mr. Hugh C. G. Chase, Assistant

Mr. William I. Williamson, Assistant

PROVINCIAL FINANCE DIRECTORS GENERAL

Mr. James E. Luckett, The Centre

Mr. E. C. Hutchinson, Kermanshah

Mr. Morton R. Soloman, Ahwaz

Mr. John Phillips, Shiraz

Mr. Donald P. Tribon, Kerman

Dr. Henry Wiens, Isfahan

Mr. Herbert C. Plows, Assistant, Isfahan

Mr. Paul W. Gordon, Meshed

Mr. William S. Nancarrow, Rasht

Mr. Thomas B. W. Allen (appointed to Rezaieh)

Shortly before the collapse of the Mission, four new appointees arrived—Dr. Norris O. Johnson, Mr. William Brower, Mr. Harvey McLennan, and Mr. John Lassiter.

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